Governance and the Depoliticisation of Development

Edited by
Wil Hout and **Richard Robison**

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Governance and the Depoliticisation of Development

This book is about the way 'governance' has become the new orthodoxy of development, following earlier failed attempts at building working market economies through policy reform in developing countries.

Considering how its proponents define 'good governance', the contributors to this volume assess why programmes of governance building in developing countries have proven to be no less problematic than the previous agendas of market reform.

Governance and the Depoliticisation of Development challenges ideas that deeper political and social problems of development may be addressed by institutional or governance fixes. It examines the principles and prescriptions of 'good' governance as part of larger conflicts over power and its distribution.

The volume provides:

- a series of case studies from Latin America, the Middle East and Asia;
- a link to current theorising on neoliberalism and the post-Washington Consensus;
- a focus on governance at the global and national levels from a comparative perspective.

The collection will be essential reading for researchers and scholars of international political economy, governance studies and political science.

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Routledge
Taylor & Francis Group
LONDON AND NEW YORK

First published 2009 by Routledge
2 Park Square, Milton Park, Abingdon, Oxon, OX14 4RN

Simultaneously published in the USA and Canada
by Routledge
270 Madison Avenue, New York, NY 10016

Routledge is an imprint of the Taylor & Francis Group, an informa business

This edition published in the Taylor & Francis e-Library, 2008.

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British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

Library of Congress Cataloging in Publication Data
Governance and the depoliticisation of development / [edited by] Wil Hout and Richard Robison.
p. cm. — (Routledge/GARNET series—Europe in the world ; 4)
Includes bibliographical references and index.
1. Developing countries—Economic policy. 2. Economic development—Political aspects—Developing countries.
I. Hout, Wil, 1961– II. Robison, Richard, 1943– III. Title: Governance and the depoliticization of development.
HC59.7.G686 2008
338.9009172'4—dc22 2008024832

ISBN 0-203-88695-X Master e-book ISBN

ISBN10: 0-415-46567-2 (hbk)
ISBN10: 0-203-88695-X (ebk)

ISBN13: 978-0-415-46567-0 (hbk)
ISBN13: 978-0-203-88695-3 (ebk)

Contents

List of illustrations viii
Notes on contributors ix
Preface xii

1 Development and the politics of governance: framework for analysis 1
WIL HOUT AND RICHARD ROBISON

PART 1
From 'development as markets' to 'development as governance' 13

2 Strange bedfellows: political alliances in the making of neo-liberal governance 15
RICHARD ROBISON

3 Development and governance: an uneasy relationship 29
WIL HOUT

PART 2
Behind the scenes at the global level: global public goods or the globalisation of interests? 45

4 Global governance, global public goods and the WTO: contradictions between trade liberalisation and development 47
RICHARD HIGGOTT

5 Global public policy, transnational policy communities and the shaping of governance 63
DIANE STONE

6 Governance, politics and the European Mediterranean partnership: problems of implementation or policy design? 77
KARIM KNIO

PART 3
Transplanting and defining the governance model at the ground level 93

7 Real governance: change and continuity in India's authority and power structures 95
JOS MOOIJ

8 The politics of governance of Indonesia's forest industries: progress and regress in a neo-liberal age 107
PAUL K. GELLERT

PART 4
Governance and the perils of participation 121

9 The politics of entrapment: parliaments, governance and poverty reduction strategies 123
PASCALE HATCHER

10 Attempting illiberalism: the World Bank and the embedding of neo-liberal governance in the Philippines 137
TOBY CARROLL

11 Civil-society participation in donor-driven governance programmes: experiences from Central America 152
KEES BIEKART

PART 5
Governance in post-crisis situations 167

12 Rebuilding governance in failed states: the case of Timor Leste 169
ANDREW ROSSER

13 The politics of public-management reforms in post-war Lebanon 183
NISRINE EL GHAZIRI

14 Conclusion: Where to now? The end of 'good governance' as a policy agenda 197
RICHARD ROBISON AND WIL HOUT

Bibliography 201
Index 224

Illustrations

Figures

6.1 World FDI flows, 1990–5 83
6.2 World FDI flows, 1996–2003 84

Tables

6.1 AMP labour markets 82
6.2 Population by age and growth rates of AMPs 82
6.3 GDP growth, poverty and income inequality in AMPs 84
6.4 Rank ordering of AMPs by income and human-development levels 85
8.1 Summary of forestry governance models 108

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Preface

This book is the outcome of the research project on North–South Development Issues that was part of the EU-supported Network of Excellence on Global Governance, Regionalisation and Regulation (GARNET). The chapters were developed in the context of two conferences held at the International Institute of Social Studies (ISS) in 2006. These events provided the opportunity for scholars from across Europe and the world to meet and discuss their research agendas. This was a most-valuable process made possible by financial support through the GARNET programme. We would like to acknowledge the ongoing assistance of the Staff Group on States, Societies and World Development at ISS in bringing the book together. Furthermore, we would like to thank the Institut Barcelona d'Estudis Internacionals (IBEI) for providing us with the opportunity to work intensively on the final manuscript of the book in March 2008.

Fremantle/The Hague, April 2008

1 Development and the politics of governance

Framework for analysis

Wil Hout and Richard Robison

Introduction

It is no exaggeration to say that, within the mainstream of development thinking, the idea of creating markets through policy reform has increasingly been subsumed within the task of containing the risks of markets through 'good governance'.[1] Such a focus on governance has also spread into the world of private and public investors and corporate financial institutions, where the difficulties presented by protective trade and investment regimes are increasingly replaced with a concern for the risks posed by arbitrary authority, lack of clear regulatory frameworks and corruption.

However, the emergence of governance as an idea and a policy agenda represents continuity in approaches to development. Although various scholars have pointed out the inherently political nature of development (e.g., Leftwich 2000: 5–6), most agencies and practitioners have pursued development through essentially technical means that are claimed to depoliticise the process of social and economic change. Early ideas, at the time mainly directed at Eastern and South-Eastern Europe, stressed the need to fill 'gaps' in capital and technology by engaging in a 'big push' (Rosenstein-Rodan 1943). Later, modernisation theories stressed the 'institutional gap' that was the result of increased social mobilisation and participation (Sangmpam 2007: 208). On the side of policy-making, planning was introduced in Keynesian agendas as an essentially technocratic and apolitical instrument for bringing about industrialisation, seen as the essential element of development. Later phases of development, in particular during the high days of the Washington Consensus in the 1980s and early 1990s, stressed the creation of markets and policy reform in developing countries with the aim of making markets work properly. The 1990s saw the introduction of ideas that underline the regulatory nature of state authority, emphasising forms of governance that shape and protect the operation of markets.

Not surprisingly, these latter shifts that specifically link markets and governance have produced an avalanche of analysis and debate related to the problems of building effective governance and the perceived obstacles that confront governance reforms. Much of this literature has emerged from the research departments of the World Bank and other development agencies, focusing on the technical

aspects of designing and sequencing governance programmes as a means of insulating or co-opting the perceived challenges of vested interests to the collective goods that are brought by efficient markets.

A contending strand of thinking about the significance of governance in the development process explains the new governance programmes in the context of wider conflicts over power and the way it is distributed.[2] This volume is set within the parameters of this second approach. It seeks to develop ideas through structured studies of the ideological and political conflicts that accompany the construction of policy agendas for governance reforms and their resolution and implementation on the ground. It is constructed around the view that the new emphasis on institutions and governance in development policy is not a distinct shift from the idea that markets are inherently efficient means of driving growth embodied in the Washington Consensus (Stiglitz 1998). Rather it is a retreat from the idea of the self-regulating market and recognition that markets require political and institutional intervention to ensure their ascendancy.

The context: governance and its evolution as a policy instrument

The idea of governance began to establish its influence in policy debates during the period of market reform and social change that swept the USA and Britain in the 1980s. The core idea of neo-liberal orthodoxy – summarised by Weiss as, 'anything the government can do, the private sector can do better; and that more open markets, free trade and capital flows are necessarily beneficial' (Weiss 2000: 802) – was, to a large extent, an ideological response to the interventionism and welfare statism of the period of 'embedded liberalism' (Ruggie 1982). The compromise of embedded liberalism produced a regime that was based on multilateral regulation of international economic relations, while offering scope for Keynesian economic policies and the building of welfare states at the national level.

We argue that it is possible to distinguish various, successive phases in the evolution of the idea of governance.[3] The first phase, clearly reflected in early World Bank reports on governance (e.g., World Bank 1991a), expressed a narrow view of governance that emphasised technocratic measures to improve government effectiveness and provide a legal framework for market-based development. The second phase led to a broader concern with the organisation of political and social life, and stressed participation and inclusion of society. The World Bank's Comprehensive Development Framework, worked out in the first few years of James Wolfensohn's presidency, the Poverty Reduction Strategy approach and the call for a post-Washington Consensus (Stiglitz 1998) were all markers of the second phase. The third phase of thinking on governance, which seems to be emerging now, is characterised by an increasing awareness of the importance of power, politics and social conflict in shaping development outcomes and the difficulties of addressing these through existing institutional and governance programmes. Although the introduction of more political understandings of governance is seen by some as a rescue operation for the centrality of governance to development,

we argue that the persistent need to depoliticise development leads to increased tensions within the paradigm, and may actually result in the discarding of the notion of governance altogether.

As part of the neo-liberal 'revolution', the idea of governance was focused initially on corporate reform and management as companies adapted to competition in a rapidly globalising global economy and to the growing ascendancy of finance capital and notions of shareholder value in their operations (O. Williamson 1987). At another level, governance was widely seen as a new form of authority that reflected the dispersal of power in social and economic life, regarded in some quarters as a liberating escape from the traditional monopoly of authority by the state and the translation of decision-making to communities and local arenas (see, Kooijman 2000). Nevertheless, the idea of governance was, at its heart, always connected to the dramatic changes of the periods of Thatcher and Reagan that reorganised society and the state around the principles and values of markets. Governance, in this respect, was a form of authority that insulated markets from collective social demands (rent-seeking distributional coalitions) and which enshrined its principles in legal and constitutional entities (Gill 1995). It is in the context of this latter process, we argue, that governance has entered the development debate and become a central concern of policy-makers. It was introduced as a mechanism to deal with the problems of market failure and to ensure that institutional reforms are able effectively to be applied to the tasks of making markets work.

As neo-liberal ideas became ascendant in development thinking in the early 1980s it was generally assumed that the advance of the market would be enough in itself to end problems of economic inefficiency, corruption and arbitrary rule in developing countries (see Toye 1987: 47–70). To the extent that effective institutions and 'good governance' were seen as being essential to the successful implant of markets, it was assumed these would emerge seamlessly as rational individuals dealt in an instrumentally rational manner with new collective problems of transaction costs and information asymmetries that accompanied markets (O. Williamson 1987; North 1994). In the meantime, it was thought few institutional prerequisites would be needed beyond some basic property rights in the initial stages of market transformation. This view was an important justification for strategies of 'shock therapy' in Russia and Eastern Europe (Rapaczynski 1996; Sachs 1992).

Increasingly, though, there was a retreat within the neo-liberal camp from the belief in the self-regulating capacities of markets and the frictionless creation of market institutions. As the ideas of rational choice (public choice) political economists became more influential amongst policy-makers it was recognised that it was entirely rational for coalitions to organise collectively for the purposes of making predatory raids on the state rather than to establish the collective goods that make markets work (Bates 1981; Olson 1982; Buchanan and Tullock 1962).[4] As early as the 1980s, in the so-called Berg Report and in its later 1989 report on the growing crisis of development in sub-Saharan Africa, advocates within the World Bank began to argue that structured programmes of institutional change were required to solve the scourge of corruption and pervasive clientelism (World Bank 1981; 1989a: 5). Yet, where the liberal idea of the benign state had been

replaced with the idea of a state that is necessarily predatory and whose politicians and officials deal in the currency of rents and privileges it became difficult to explain who would drive the reform process. As Gamble (2006) has stated, neo-liberals had arrived at a point where neither state nor society could be trusted. It seemed that there was nowhere to go.

It was in this context that neo-liberal policy-makers began to turn to the idea that reform must be provided by enlightened technocrats operating above the demands of politics to protect the general welfare of society against the self-serving behaviour of vested interests (J. Williamson 1994; cf. Grindle 1991). Without becoming directly involved in the turmoil of politics and social conflict, it was envisaged technocrats could neutralise distributional coalitions by altering the institutional incentives that shaped the choices and behaviour of individuals.[5] Yet, despite the flow of hundreds of millions of dollars into programmes of institutional reform, conflicts over issues of efficiency, corruption, rule of law, arbitrary authority and opaque regulation of markets have continued to proliferate and deepen. Newly engineered institutions, it seemed, may indeed change behaviour but not always in the way favoured by the ideologues within the neo-liberal camp. Something was needed to ensure that policy and institutions worked; that something was 'good governance'.

At its heart, neo-liberals understand 'good governance' in terms of providing efficient public and private management for markets. As the World Bank has stated it, '[t]he ability of the state to provide institutions that make markets more efficient is sometimes referred to as good governance' (World Bank 2002a: 99). Thus, 'good governance' ensures efficiency in public administration, rule of law and regulation of corporate life, including competition laws and anti-corruption watchdogs, arms-length procurement processes and the outsourcing of public services and supply. But the idea of governance has spilled over into wider agendas for regulation and authority at the political and social level. It offers a solution to perhaps the key political dilemma of neo-liberals. As economist Hal Hill (2000) observed in his analysis of Indonesia after the Asian financial crisis, 'One of the big challenges of the coming years will be to find a way of separating the economic and commercial world from the political world'.

The idea of 'good governance' meets this objective in two ways. Conceived by neo-liberals as a form of authority outside politics and the traditional realm of administration, it is a means to claim autonomy for technocratic authority from what are seen as distributional coalitions. It also enables individuals to be drawn directly into the market process through programmes of inclusion, participation and ownership that bypass competitive politics and established political organisations (Jayasuriya 2005b: 32–7; Bebbington *et al*. 2004).

Nevertheless, governance programmes have experienced profound difficulties. So despairing have major aid donors become, especially in relation to Africa and other poor countries, that development policies have seemingly abandoned the task of constructing governance reforms in favour of requiring already existing levels of 'good governance' as a pre-requisite for aid (see Hout, this volume, p. 31). Why then, have attempts to impose forms of neo-liberal 'good governance'

met with such resistance or indifference? After all, who would not want honest government and efficient administration?

As we have mentioned, these frustrations have been generally understood within the main development organisations as the result of inadequacies in the sequencing, design or implementation of institutional reforms and governance mechanisms. This is not to say that market reformers are not aware of deep-seated political and social problems affecting the successful transplant of institutions. However, there is an ongoing belief that these are problems that can generally be attributed to weak institutions and bad governance. At the same time, it is assumed that, once established, efficient institutions and 'good governance' not only provide public goods necessary for the efficient operation of markets but can eliminate opportunities for rent-seeking and predatory behaviour by governments and individuals, changing incentives for behaviour. In other words, institutions and 'good governance' are seen, 'to possess both the explanatory power to account for socio-economic outcomes and … the prescriptive power that makes them solutions for socio-political problems' (Sangmpan 2007: 201).

There are indications that a new stage of thinking about governance is in the offing. There is increasing debate within some development organisations, seeming to recognise that political factors are not only more important than previously thought but that problems of politics and power are not so easily addressed through the simple mechanics of institutional engineering and programmes of 'good governance' (see Robison, this volume, p. 16; Hout, this volume, p.29). That attempts to come to grips with these issues, particularly as they are discussed in development agencies in the UK, Netherlands and Australia, have not proceeded beyond the discussion stage and into the policy arena perhaps reflects what is the central contradiction and dilemma in the neo-liberal approach. The tension between institutional engineering by technocratic means and direct engagement with political and social causes of 'bad governance' makes it unlikely that this prospective, third stage in the evolution of the idea of governance will take root.

The broad themes of the study

In contrast to the predominant neo-liberal understanding of (good) governance, the focus of research is switched, in this book, from the idea of governance as a technocratic construction to one that is concerned with understanding the conflicts over power and wealth that underpin the establishment of authority within market societies. The sorts of research questions that emerge are quite different from the concerns about institutional design and the measurement of governance that occupy policy-makers and researchers in the World Bank and many national development agencies. While neo-liberal reformers claim that governance represents a depoliticisation of decision-making, in that it shifts decision-making about markets from distributional coalitions into the hands of technocrats, the studies in this volume assert that the process of depoliticisation is an attempt to insulate from political competition a highly political and normative agenda for the reordering of social and political power. Similarly, it is questioned whether problems of poverty

and violence, corruption and repression are the products of weak institutions and bad governance rather than the results of power disparities and the way resources are organised and distributed. Policies of institutional change and 'good governance' are often means of avoiding the politically contentious issues of power in society, especially where these are connected to allies of market reformers.

At the same time, claims about the transformative capacities of institutions and governance are questioned. It may be true that imposing new institutions and forms of governance will force powerful interests to behave in different ways but these are not always those favoured by market reformers. It may simply mean that the same old interests have to rule in different ways. Indeed, it is proposed that we need to be mindful of the ways in which entrenched elites may hijack new forms of governance and institutions in order to reorganise their own power.

The book

Part 1: From 'development as markets' to 'development as governance'

The two chapters that constitute this part of the book address the problem of governance in its political context and ask how the ideas and designs for governance and institutional reform are established by the major international development organisations and within the financial ministries of Western governments.

In Chapter 2, Richard Robison proposes that conflicts over governance are not simply contests between the advocates of markets and those opposing them but involve forces that are themselves created by the advance of markets and are fought out within the very alliances forged to clear the way politically for market reforms. The chapter looks at the way various regimes and political coalitions are able to consolidate their authority by selectively adopting neo-liberal market reforms and how various forms of populist, authoritarian and even predatory rule can be used to establish critical neo-liberal reforms and to suit the needs of private interests associated with the neo-liberal agenda.

Wil Hout, in Chapter 3, analyses these processes at the policy level, in terms of the shift in the international development agenda away from the 'market fundamentalism' of the 1980s and early 1990s. He focuses on the ways governance issues are tackled in the development policies of multilateral institutions and national governments, and analyses three cases (the World Bank, the United Kingdom and the Netherlands). He argues that the implementation of development policies premised on governance has been skewed towards formal and technocratic, apolitical understandings of social and economic development. Nevertheless, it is proposed that various development agencies have become sensitive to the political and political-economic dynamics involved in governance reform. It is argued that the different, and irreconcilable, logics of reform that underpin technical approaches aimed at bringing about more effective and efficient government

are not easily reconciled with attempts to address social, political and economic fundamentals required for transforming governance.

Part 2: Behind the scenes at the global level: global public goods or the globalisation of interests?

The chapters in this part examine the way problems of development have been addressed at the level of global governance, initially to deal with issues of monetary instability, international debt and trade. As is the case at the national level, the formation and reform of governance institutions have been the subject of intense political and ideological conflict, increasingly complex in nature as these progressively extend beyond narrow economic concerns into areas such as health, resource management and environmental regulation, as well as human rights, criminality and terrorism. Notably, recent debates have centred around the extent to which development might be linked to trade liberalisation and deepening of the trade agenda (related to intellectual property rights, services and similar issues), and on the way rising and marginal economies are represented in global forums. These debates have opened questions about whether global governance simply provides global public goods or has consolidated the economic and political hegemony of certain countries. Moreover, the proliferation and 'privatisation' of global governance institutions has similarly led to questions about the adequacy of the traditional states-dominated paradigm revolving around notions of sovereign equality.

In Chapter 4, Richard Higgott explores the notions of global governance guiding contemporary debates on globalisation and, in particular, trade liberalisation. He focuses on the definition of global governance espoused by the global policy community, in particular in and around the World Trade Organisation (WTO). Higgott notes that global governance policy-making, in these circles, is driven largely by formal economic theory, and focuses on the logic of global public-goods provision. This, it is argued, is often at the expense of a view of global governance that emphasises accountability and legitimation of decision-making and precludes economic policy based on perceived developmental needs rather than economic rationality. It is a dichotomy that Higgott argues may ultimately lead to a crisis in global cooperation.

Diane Stone, in contrast, focuses on the sort of policy networks and organisations emerging at the heart of the global governance project. In Chapter 5 she distinguishes among various forms of transnational policy communities (including advocacy coalitions and executive networks) and argues that because public policy making tends to become increasingly dominated by networks of decision-makers and more involuted processes, a 'privatisation' of global governance is making it more difficult for developing countries to participate in the policy process.

At a more specific level, in Chapter 6, Karim Knio focuses on policy-making in the European Union with regard to its Arab Mediterranean 'neighbourhood'. Focusing on the European Mediterranean Partnership, he argues that the economic reforms proposed by the EU in the arena of fiscal and monetary policies have

encountered difficulties because they do not match the socio-economic realities found in the region. Specifically, the surging labour surplus that is a product of the region's demographics demands a premium on employment creation, while the priorities of the EU continue to be deregulation in the services sector.

Part 3: Transplanting and defining the governance model at the ground level

The two chapters in this part of the book focus on the conflicts that have accompanied attempts by market reformers to establish governance regimes. One question is whether the opponents of neo-liberal governance programmes simply represent the self-interested behaviour of rent-seeking groups or are constituted within highly functional existing modes of authority that serve working systems of social and political power. How do entrenched interests consolidate their different ideas of governance in a market environment and how are these related to the preservation of different forms of power?

In Chapter 7, Jos Mooij examines the complex processes by which the dominant governance model in India has shifted from one defined by planning to one defined by markets where government becomes a facilitator and partner of the private sector and concerned with the allocation of contracts and resources. While the transition was ushered in by a limited technocratic circle of administrators and politicians, the acceptance of reforms, argues Mooij, was made possible by important shifts in class structure. These included the rise of a new class of investors, notably in the technology and information sector and the rise of a middle class. These saw themselves as beneficiaries, or potential beneficiaries, of reforms. Nevertheless, Mooij shows how market reforms and new forms of governance have enabled old-style patronage politics to survive and politicians to concentrate their power, especially at the local level. A case study of Andhra Pradesh illustrates the politics of anti-politics.

Controlling unconstrained assaults on environmental resources is one of the primary focuses of governance programmes and in Chapter 8 Paul Gellert investigates some of the inherent difficulties in this highly sensitive area by looking at attempts to develop models of governance for a forestry sector emerging from over three decades of discretionary allocation of rights within a highly centralised and state-driven system of patronage in Indonesia. He examines four different models of governance emerging respectively from the World Bank, Indonesian NGOs, the Indonesian timber industry and global and regional interests in Indonesia. The degree to which these are successfully implanted, Gellert argues, is highly contingent upon the contending interests mobilised behind them and the way in which these are able politically to advance or resist governance agendas that support their interests.

Part 4: Governance and the perils of participation

As discussed earlier, governance is not only aimed at insulating technocratic decision-making from perceived vested interests but at increasingly addressing the

problem of drawing individuals and society into programmes for market reform and into the political and institutional arrangements established to consolidate and protect these reforms. Often seen as a task of providing social capital where societies do not possess the cohesion and capacity to organise on behalf of markets, new models of governance emphasise a new form of participation based on a functional idea of citizenship and social contracts within a techno-managerial authority.

In Chapter 9, Pascale Hatcher examines the recent interest of the World Bank in parliaments within the context of the Poverty Reduction Strategy (PRS). She examines how the World Bank has sought directly to involve civil society through empowerment, participation and other mechanisms of governance. But, she asks, does this mean a bypassing of representative politics and parliaments in favour of direct and managerial relations between technocratic policy-makers and civil society? It is a question addressed by looking at the World Bank's new interest in parliaments and investigating its ambiguous perception of them as vehicles for distributional coalitions, on the one hand, and, on the other, as bodies that legitimately represent social interests. Hatcher asks, is parliament drawn into the PRS process as a minor technocratic player emptied of its political content?

In Chapter 10, Toby Carroll explores the seeming contradictions in Country Assistance Strategies, oscilating between an attraction for highly technocratic modes of decision-making and authority and the new commitment to participation, inclusion and empowerment of civil society. In a study of CAS in the Philippines, Carroll asks whether the commitment to participation and inclusion of NGOs in policy dialogues really influences the policy outcomes or simply acts as a mechanism to co-opt and functionally include key civil society groups within a larger agenda of market reform.

In contrast to the approaches of Hatcher and Carroll, Kees Biekart asks whether civil society can be mobilised to impose models of 'good governance' devised by international development agencies. In Chapter 11 he focuses on the question of whether attempts to induce participation from below can be truly democratic or whether such approaches simply create a technocratic NGO elite. These questions are posed in the context of case studies of the Guatemala experience in building governance programmes for the resolution of human-rights violations, the resolution of ongoing problems of domestic and criminal violence and in the context of the wider poverty reduction strategies.

Part 5: Governance in post-crisis situations

In recent years, governance reform has been a central tool in efforts by the World Bank and other donors to enable countries ravaged by social conflict, violence and breakdown of the state to reconstitute themselves. Governance reforms are focused on problems of capacity and efficiency in public administration and management and the facilitation of market-based economic reforms. In many cases, these reforms have been attempted by means of top-down programmes presided over by the main donor agencies. However, difficulties in mobilising

support or enthusiasm for the changes has led to a reconsideration of the way reforms might be incorporated more closely into the needs and objectives of broader social and political groups. We now find donors and critics alike debating whether reform can be targeted to different societies and whether more effective methods of engagement through participation and coalition-building might be achieved.

In Chapter 12, Andrew Rosser focuses on the dynamics of involvement of international organisations in the reconstruction of governance institutions in Timor Leste. The chapter analyses the involvement of various international actors, most notably the World Bank and Australia, in the setting up of various institutions after the war that resulted in the independence of Timor Leste from Indonesia. He identifies the difficulties of transplanting these institutions and specifically looks at the problem of mobilising support for reforms from critical social and political interests. Rosser proposes that more attention must be given to the tasks of building cohesive coalitions as necessary ingredients in the embedding of reforms.

Nisrine El Ghaziri discusses programmes for administrative reform in Lebanon after the devastating civil war that left the country economically and politically exhausted and its mechanisms of government in disarray. In particular, chapter 13 focuses on the involvement of international organisations such as the United Nations Development Programme (UNDP) and the World Bank in the design and management of reform in public-sector management. Here, reformers confronted the task of changing a civil service defined by entrenched Ottoman and French legacies of authoritarianism, hierarchy and patronage to one where competition, efficiency, client service and outsourcing were the catch-cries of the new, market-oriented managerialism. El Ghazari shows how the Office for Administrative Reform encountered ongoing resistance and resentment and how this led to the reform of the Office itself and a retreat from some of the objectives of the new managerial programme. These adjustments are used to illustrate the highly political nature of the reform process.

Conclusion

In a brief conclusion, the editors ask where the governance agenda is going now. On the one hand, it is considered whether the concern for 'good governance' is being overtaken by a resurgence of concern for stability and for political alliances in efforts to consolidate and protect geo-political and economic hegemony in a shifting global environment. At another level it is asked whether the problems of enforcing governance reform has led to a new consideration of the political and social pre-conditions for reform and a retreat from assumptions that governance programmes themselves can reshape choices and values in society.

Notes

1 A more detailed exposition of the definitions of governance and 'good governance' is provided in Hout (this volume, p. 30 ff.). Basically, as Weiss (2000) has pointed out, there is no agreement in the worlds of academia and policy-making literature on the exact meaning of the concept of governance. It is easier to state what governance is *not* than what it is. It is clear to most commentators that governance is not synonymous with government, politics or public administration. Elements that recur in many definitions of governance are the interaction between the public and the private sphere, including civil society, and the setting of rules for the public sphere, either within national contexts or internationally (Weiss 2000: 800). In relation to policy issues with a more international dimension, the term 'global governance' has started to gain currency, although conceptual differences have not been solved (Weiss 2000: 806–10). 'Good governance', which has a clear normative overtone, has become an integral part of the development discourse primarily as a result of the World Bank use of the term.

2 Examples of these include Fine (2001) and Harriss (2001).

3 We would like to thank Andrew Rosser for his contribution on the phasing of the thinking on governance.

4 It should be noted that the idea that institutions would emerge organically as rational individuals address problems of transactions costs was supplemented by a recognition within the new institutional economics that collective action dilemmas may have to be addressed externally and from within the state and that these solutions might not produce efficient outcomes because they would necessarily reflect specific interests (see North 1995)

5 The view of institutions as both an explanation for political and social problems and a solution for them is a central theme in World Bank writing on institutions. See also Bates (2006) and Levi (2006).

Part 1

From ‘development as markets’ to ‘development as governance’

2 Strange bedfellows

Political alliances in the making of neo-liberal governance

Richard Robison

Introduction

In the 1990s neo-liberal agendas for global economic change and development shifted from a simple plan to roll out markets through policy reform to a new concern for containing the political and social risks that seem invariably to accompany their rise. Programmes of institutional reform were intended to provide new incentives to shift the choices of individuals in favour of collective action to support markets. A new emphasis on 'good governance' was designed as a means of ensuring these reforms were enforced and providing the capacity to regulate markets effectively. Yet, attempts to establish specifically neo-liberal forms of governance have encountered critical difficulties. Within the World Bank and other mainline development agencies these are explained primarily as technical problems of design or sequencing of institutional reforms or lack of capacity that could be remedied by training or new attitudes (see Rosser, this volume, p. 171 ff.; World Bank 2004a: 16–60). In contrast, it is proposed here that such problems are integral to the conflicts over power that accompany the rise of new market states and market societies. These cannot be understood simply in terms of the politics of resistance versus transformation. In critical instances, it is proposed, the advance of markets has generated new forms of political and social oligarchy the ascendancy of which is consolidated in systems of authoritarian or discretionary governance. This chapter examines how these forms of power and governance are constructed and preserved, not least in the context of highly ambiguous relationships with forces within the neo-liberal camp itself.

The idea of 'governance' performs an ideal function for market reformers. Broadly understood as a form of authority separate from traditional notions of politics and the state and defined increasingly in terms of legal or constitutional principles (Gill 1995), it enables a vast range of problems related to economic efficiency and political order and legitimacy to be approached without any reference to the contentious arenas of power and politics (Hewitt de Alcantra 1998: 107). More practically, the idea of governance can be used to bypass opponents (vested interests) through modes of technocratic and managerial rule. In the words of the World Bank, '… good governance requires the power to carry out policies and develop institutions that may be unpopular among some – or even a majority – of the population.' (World Bank 2002a: 99).

Governance is not only useful as a mechanism for insulating technocratic elites from the competitive nature of politics. Political and social problems can be translated into problems of capacity, especially where fragile or failed states are considered unable to provide the basic regulation and order necessary for market societies (World Bank 1997, 2002b). At the same time, 'good governance' programmes tackle the problems of an indifferent citizenry by addressing 'dysfunctional' norms and values and providing new forms of citizenship and participation where societies are seen as lacking the social capital, including the values and networks that may provide cohesion to organise collectively in favour of markets (see World Bank 2002a: 21; Bebbington *et al*. 2004; Woolcock 2001).

Such a focus on institutional and governance solutions, as Ottoway has observed, represents an attempt to bypass the long and often brutal conflicts that historically underlie the formation of modern rational states (Ottoway 2002: 1004). However, this is not simply an attempt to bypass these conflicts in favour of the abstracted efficiency of techno-managerial authority. Four propositions are central to this chapter.

First, programmes of 'good governance' advocated by the current development orthodoxy cannot be disentangled from larger agendas intended to establish the normative forms of political and social order preferred by neo-liberals. Emerging in the context of neo-liberal reforms in the 1980s, these preclude many of the distributive and welfare aspects of social democratic states, for example, and seek a fundamental reordering of power through the spread of market principles and values across the institutions of political and social life and the adoption of market solutions for most economic and social problems, including the outsourcing of public functions in education, education, health, the provision of infrastructure and even security.

Second, the consolidation of various forms of arbitrary, authoritarian or predatory governance is not, in critical instances, external to the process of market consolidation but has been integral to the way economic and social oligarchies and state elites, the agents and beneficiaries of the new market societies, have established their ascendancy.

Third, attempting to address such problems of corruption, disorder and inefficiency by modifying individual behaviour through institutional change attempts to bypass the conflicts over power and its distribution. These can leave intact the political relationships and the social order that underpin predatory or authoritarian systems of governance (Chaudhry 1997; Bardhan 1989; Rodan and Jayasuriya 2007; Sangmpam 2007).

Fourth, a range of political regimes and forms of authority and governance are established and consolidated within the broad rules of the market by co-opting property rights, financial-sector reform and techno-managerial prescriptions for political rule. In important instances, neo-liberalism has found critical affinities with new authoritarian and discretionary forms of market governance. These can be effective instruments in protecting markets from certain forms of politics and liberating the private interest from a range of collective social demands or where they are useful in securing particular national economic or political objectives at the global level.

Markets and the rise of illiberal regimes and oligarchies

Operating within key economic and financial ministries and agencies in developing economies, technocratic elites have played an important role in designing and implementing neo-liberal reform agendas. For example, Chile's famous 'Los Chicago Boys' in the 1970s had their equivalents in the so-called 'Berkeley Mafia' who, almost a decade earlier, had begun to play a central policy role in Soeharto's Indonesia. In Russia, technocrats like Anatoly Chubais initiated decisive privatisation programmes during the Yeltsin period of the early 1990s, while in Zambia, the ubiquitous Harvard Institute for International Development gave rise to the so-called 'Harvard Boys' in the early 1990s.

In reality, the ability of these technocrats to influence reform beyond macroeconomic monetary or fiscal policy has always been fragile. The World Bank and Western governments have relied upon broader alliances with various governments and political elites, often military rulers, to clear the way for various structural adjustment agendas. It was assumed that 'getting the fundamentals right' would be enough in itself to generate wider institutional reform and that 'bad times' would ultimately enforce 'good policies'.

Yet, in important instances, as we shall see, programmes for the privatisation of large state monopolies and companies offered opportunities to a range of privileged oligarchies to expropriate public resources and state corporate wealth. Property rights enabled new entrepreneurs to claim state assets or community land where title to these was not clear. Opening economies to global markets meant that new private interests could now access flows of finance from international lenders and investors who proved willing to accept the risks of highly politicised markets and arbitrary systems of regulation. Neo-liberal models of techno-managerial authority have also offered a new means of legitimising authoritarian rule in the name of economic efficiency and the protection of the market from the excesses of representative politics.

These processes have taken different forms. In sub-Saharan Africa, neo-liberal reformers confronted predatory forms of authority embedded in vast and pervasive state apparatuses where the political development of middle classes and business was weak. Extensive market deregulation and privatisation in the 1980s served to consolidate what Harrison (2006: 109) describes as, 'a new political class that reproduces itself through 'neo-liberal clientism'. The corrupt disposal of state enterprises, leakage of finance from large banks and corruption in procurement as well as plunder in the Congo and elsewhere have all been essential elements in the way the new 'champions' of neo-liberal reform have reinforced the politics of ethnic allegiances, patronage and corruption.[1] No sign of any 'relatively autonomous' state apparatus appeared on the horizon to put an end to this ongoing logic of disorganised capitalism nor was any progressive middle-class alliance able to get its hands on power. (Harrison 2005, 2006; Van de Walle 2001; Tangri and Mwenda 2001).

In Latin America and the Philippines, neo-liberal reformers confronted landed or industrial oligarchies and systems of populist patronage politics where conflicts

over the rules that govern markets also involved corporatist or nationalist dictators or forces of radical populism. However, in important cases, selective engagement with neo-liberalism has offered opportunities for new politicians to break the cycle. Neo-populist politicians[2] saw fiscal austerity policies, privatisation programmes and trade and investment reforms as an opportunity to undermine entrenched elites and to construct new political bases in league with provincial and middle and lower-ranking classes together with emerging corporate and financial interests (see Weyland 2003). Such neo-populist democracies dispensed with earlier forms of corporatist alliances, including with labour unions, constructing plebiscitary relationships with the unorganised poor and formerly marginal elements of the lower middle classes. This anti-organisational bent, argues Weyland (2003: 1098), has important affinities with neo-liberalism: 'As populism wants to protect the unity of the people against politicking factions and selfish elites, so neo-liberalism seeks to protect the equilibrium of the market against the machinations of mercantilist rent-seekers'.

While the Latin American cases and that of the Philippines can be seen as typically characterised by powerful business or landed oligarchies determining the flow of rents from a largely incoherent bureaucracy (patrimonial oligarchy), in other systems, power resided, at least in the early stages, with a class of office-holders who were the main beneficiaries of rents extracted from a politically disorganised business class. From a Weberian perspective, the creation of a modern rational state is claimed more likely in the latter model where the state is assumed to possess the autonomy to impose reform and nurture a private sector more likely to tire of the uncertainties of rents and seek more formal modes of economic governance. In contrast, it is argued that in patrimonial oligarchies economic growth reinforces the power of social oligarchies resistant to reforms that would break up rent-seeking coalitions and impose general rules on business (see Hutchcroft 1998: 45–64). Yet, assumptions about the autonomy of the state and the potential for progressive action on behalf of state or business in administrative patrimonial states have proven to be illusory.

In North Africa and the Baathist states of the Middle East, neo-liberal reforms have enabled a reconstruction of former nationalist regimes through alliances with rent-seeking bourgeoisies and large landholders, now the beneficiaries of privatised state assets and the liberalisation of the land market. Without any interest in democracy or political participation these have supported repressive state apparatuses in defence of their interests against dispossessed lower classes (King 2007). Such a pattern is also important in mainland Southeast Asia. In Thailand, the rise of private capital as a political power was enhanced by deregulated global and domestic financial and banking systems and the stock exchange in the 1980s and 1990s, enabling a new raft of business interests to consolidate themselves outside the sphere of the big Sino-Thai banks in finance, property and telecommunications (Lauridsen 1998; Hewison 2006). Fitful episodes of democratic reform stretching back to the 1970s enabled these private interests to outflank the formerly dominant state bureaucracy and press their interests more directly through a pervasive system of money politics, and to become the financiers of parties rather than the clients of bureaucrats (Anderson 1990; Hewison 1993).

In Indonesia, Soeharto's rise to power in 1965 and 1966, involving the destruction of the Communist Party and new agreements to open Indonesia to global markets, was widely seen by neo-liberal economists and Western observers as a triumph of rationality over politics. However, despite the prominence of Western-trained technocrats in key economic ministries, construction of the new market state lay in the hands of a military embedded not only within a pervasive apparatus of security and repression but in a vast network of state-owned enterprises that stood astride the commanding heights of the economy. With monetary and fiscal stability under control, new inflows of aid, loans and investment, as well as growing oil revenues, were used initially to extend state capitalist investment into grand projects for downstream manufacturing (Robison 1988). At the same time, liberal middle classes were offered no entry into the political world except as functionaries of the regime. The ideology of technocratic development provided ongoing legitimacy for a centralised system of unaccountable authoritarian rule (Moertopo 1973).

A second phase of market deregulation that began in the early 1980s was widely attributed to the collapse of oil prices and the need to generate new sources of state revenues and foreign earnings. A more compelling factor, however, was the incubation, over the previous decade, of private business interests within various state-sponsored monopolies that linked large Indonesian Chinese business groups with the families of powerful politicians and officials, notably the Soeharto family itself. For these interests, the state that had nurtured their growth now became a constraint on their new commercial ambitions. State monopolies in media, banking and public utilities promised lucrative opportunities for the next stage of their development. In other words, the market reforms of the 1980s and 1990s signalled a takeover of state capitalism by this politico-business oligarchy. This was far different from the expected rise of a private sector increasingly tired of arbitrary authority and seeking orderly markets. It was a process of privatisation without liberalisation and was thus highly selective in its application. Domestic trading and manufacturing cartels were preserved, while the newly opened finance sector was to be unconstrained by rules about intra-group lending and capital adequacy ratios and no distinction existed between lenders and borrowers. Public monopolies were transformed into private monopolies, while key state enterprises became the conduits through which state funds haemorrhaged into private hands by subsidising the costs of their activities and providing discretionary credit. Market reforms had enabled the rise of a new oligarchy of military and business families who expropriated the old state capitalist system while retaining its repressive and patrimonial apparatus to guarantee their new ascendancy (Robison and Hadiz 2004).

The introduction of market reforms has also generated unexpected political outcomes in former Communist countries. While the market experiment in China has been characterised by a state-orchestrated metamorphosis of officials and public enterprises into an emerging private oligarchy, a quite different programme of 'shock therapy' was implemented in Russia to introduce radical market reforms that resulted in vast swathes of the state sector passing into private hands almost

overnight. While the IMF and its allies within the Russian technocracy may have seen such reforms as a functionally rational response to ongoing economic decline, their evolution was shaped by the requirements of the new political alliances. Beleaguered Prime Minister Yeltsin needed not only quick money to fund his election in the face of a seemingly resurgent Communist Party, but to make sure that the economic apparatus of the former regime could not be regained and used as a power base. Thus, the loans for assets deals of the early 1990s, made possible in the context of new, market-based, financial-sector reforms, created a system of private oligarchy that was to be governed, initially at least, by violence and murder presided over by gangsters and mediated within a highly corrupt state bureaucracy (Volkov 2002; Oversloot 2006).

However, by the late 1990s, many of these regimes and the alliances that underpinned them appeared to be experiencing difficulties. In Africa, predatory regimes presiding over deepening poverty and political dislocation were forced to accept new aid programmes based on guarantees of good governance as prerequisites for ongoing assistance (see Hout, this volume, p. 30 ff.). In Asia, economic crisis was widely seen as signalling the ultimate triumph of markets and the end of those regimes that had refused to embrace its disciplines, victims of the leaderless herd of currency dealers and funds managers that panicked and fled when governments attempted to override the logic of the global market (Friedman 1997). The door was opened for the IMF to impose unprecedented programmes for reforms in governance in return for huge financial bailouts in Thailand, South Korea and Indonesia. By the late 1990s it seemed that many of the political and economic oligarchies that had flourished in the early years of market liberalisation had reached the limits of what might be seen as the robber baron era of capitalism.

Crisis and the consolidation of illiberal and predatory regimes

Entrenched regimes have displayed remarkable resilience in the face of crisis and intensive efforts to impose change through institutional reform. Corruption remains endemic despite intensive governance programmes, including special corruption watchdogs, arms-length procurement practices, capacity training for officials and remuneration strategies, which have all met with limited success.[3] Many of the attempts to weaken centralised state authority in favour of markets and achieve greater economic and political competition through democratic reform and decentralised administration often provided new avenues for the consolidation of powerful oligarchies through money politics (see Hadiz 2004, 2007; Bardhan 2002). Even where progress has been made in the reform of economic institutions such as property rights and transparency, this is not always reflected in similar reforms in politics and governance (Rodan 2006a). How, then, have the various state and private oligarchies managed to preserve the political ascendancy constructed during the early phase of market transition?

The nature of business–state alliances

Neo-liberals had expected institutional reform and 'good governance' to emerge spontaneously as rational individuals were forced collectively to address the problems of transaction costs and information deficits generated by the market. Anatoly Chubais, the architect of the 1990s shares for loans privatisation that opened the door for the emergence of Russia's oligarchy, claimed that despite the chaos, corruption and inequity that accompanied it, not only was 'shock therapy' the only possible way of creating private property but that the oligarchs that emerged would themselves increasingly tire of the arbitrary and discretionary authority that made their ascendancy possible and see that moving on to the next stage requires a system based on rules that ensure their general interests (cited in Ostrovsky 2003, 2004). Yet, while the penetration of global financial and capital markets has extended Western corporate cultures and practices among relatively small professional and managerial elites, in Russia and elsewhere there has been no widespread rise of an increasingly progressive and confident bourgeoisie on behalf of neo-liberal forms of governance. Indeed, it is the accommodation of business elites within highly illiberal alliances and modes of governance that has been definitive.

In sub-Saharan Africa, political elites generally preferred to accumulate wealth through intensive pillaging of public resources rather than transforming themselves into substantive new business oligarchies. Enthusiasm among Western governments and donors for new champions of reform in countries like Kenya and Uganda evaporated as the vast networks of corrupt officials and politicians and old forms of ethnic politics and state patronage continued to tighten their grip on economic and political life. Desperate attempts to solve the problem by imposing performance pre-requisites on the allocation of aid or addressing issues of managerial efficiency and governance within the state apparatus have foundered on the fact that the state itself and its apparatchiks are the essence of the problem (Harrison 2006). Elsewhere, though, the private sector has played a more important role, although not as a driver of neo-liberal reform but as an ally of regimes and state elites within populist or authoritarian systems of rule.

In Latin America, there has been a surprising accommodation of private business within regimes that are politically based among the poorer and previously excluded elements of society and which have played leading roles in the opposition to neo-liberal pushes for reform of global markets. Such increasingly close relationships have been possible, according to Weyland (2003: 1113), because the mediocre performance of the new market model has lessened the resources available to sustain the populist strand of rule and because, in any case, widespread acceptance of the market model and diminishing political conflict has allowed leaders to focus on 'pragmatic solutions to concrete problems'. In other words, there has been a seemingly strange accommodation of welfare agendas with technocratic intervention on behalf of the private interest.

In post-crisis Southeast Asia, notably Indonesia and Thailand, political and private oligarchies managed to survive economic and political collapse by reor-

ganising their power in ways unexpected by the IMF and the World Bank. In the Thai case, business achieved its most complete ascendancy over the state following the electoral victory of the Thai Rak Thai party of new Prime Minister, Thaksin Shinawat. Reacting against the hard-line neo-liberal reforms of immediate post-crisis governments, beleaguered Thai business interests sought to consolidate their positions vis-à-vis the advance of global markets. Policies were put in place to stem the flow of external corporate takeovers and to slow the pace of privatisations and corporate reform. At the same time, the political ascendancy of business was consolidated in an increasingly centralised system of money politics appealing to the poor where a new social contract to draft broad political support included highly populist measures for health insurance and village-level grants. In an important sense, the Thai bourgeoisie adopted a Fujimori solution to their problems (Hewison 2005).

In Indonesia, old power relationships between business and the state remained relatively intact after the crisis. Although forced out of sectors like finance and banking, Indonesian conglomerates moved into booming resources and property sectors, retaining the essentially predatory relationships with politicians and state officials, albeit within a more diffuse and disorganised state apparatus. Efforts by the IMF and World Bank to reform the judiciary and the state bureaucracy proved disappointing and the World Bank lamented the isolation of technocrat reformers and their powerlessness in the face of vested interests. Technically bankrupted business groups held onto their key assets by emptying their banks and sending the cash overseas, stalling foreign creditors or warehousing their debt with the government agencies responsible for the recapitalisation of banks, and fighting efforts to seize assets or prosecute them by using corrupt courts, effectively socialising the costs of their losses (Hamilton-Hart 2002; Robison and Hadiz 2004: 187–222). Despite the collapse of centralised authoritarian rule and new political and administrative reforms, democratic reform and decentralisation appear to have enabled the same systems of business-state relations to be reproduced, albeit across a wider range of alliances and within a disorganised system of money politics, extending down into the provinces and sub-provinces (Hadiz 2004, 2007).

The fate of the oligarchs in Russia has been quite different. As we have seen, neo-liberals expect the future of Russia to be determined by an increasingly mature business community demanding 'good governance'. Analysts operating out of the Marxist tradition also saw in the arbitrary handover of state assets to well-placed individuals a process nothing less than unconstrained 'primitive accumulation' essential to the early stages of capitalist development. This world of political deals, gangsters and violence would be cured only as the state secured the position of the oligarchs through property rights and via the increasing interest of business in an orderly system of regulated market capitalism (Holdstrom and Smith 2000). However, faced with the prospect that private wealth might spill over into a broader political challenge funded by some of the new oligarchs, notably the head of the Yukos oil giant, Mikhail Khodorkovsky, President Putin moved to recapture the agenda of change. This was a move designed not to roll back the market but

to redefine the new market state in the terms of the state itself and to renationalise many of the commanding heights of capitalism.

How do we explain the apparent resilience of these various amalgams of state and business interest and how do they accommodate their political ascendancy in the context of deepening market economies? Are these examples of transitional periods of immature or robber-baron capitalism (Harris 1989)? Or do they represent different and historically entrenched institutional pathways within which market capitalism itself must be accommodated (Zysman 1994)? Or are these regimes sacrificing growth and prosperity rather than accept institutional reforms and 'good governance' where these may threaten the political ascendancy of ruling coalitions and interests?[4] Do these regimes survive by insulating themselves from global markets and neo-liberal efforts to construct global governance and from the demands of Western governments and donors or by engaging and harnessing them?

Explaining the resilience of illiberal alliances

In much of sub-Saharan Africa and other poorer regions, the main concern of various regimes is to preserve their authority and the economic and political power of ruling coalitions by resisting or hijacking programmes of institutional reform and 'good governance' driven by international development and financial organisations and backed by Western governments. Such regimes can bolster their bargaining capacity with sources of income and wealth, from oil and mining in particular, providing them with a degree of autonomy from the demands of their own citizens as well as requirements of global governance (Moore 2000; Bates 2006). This leverage vis-à-vis demands from Western governments and donors over questions ranging from human rights to 'good governance' is often enhanced by accelerating Chinese investment where funds carry no demands for such reforms (Watts 2006).[5] However, as Mick Moore (2001: 385) has also argued, the, '… political underdevelopment of much of the South also results from the ways in which Southern states have been created and political authority shaped through economic and political interactions with the wealthier countries of the North'. Foreign involvement in the exploitation of resources and in the laundering and banking of illegal windfalls has benefited many local regimes. As Reno (1997) has shown, some rulers in weak African states have even used foreign firms not only for financial support but to enable them to conduct offensives against old patronage networks and insurgencies and deal with other states and multilateral agencies.

However, in other developing economies conflicts over governance can be more complex. Many of these are booming economies now protected by large foreign reserves and, increasingly, substantial sovereign funds from the kind of assaults on currencies that had precipitated the Asian financial crisis in the late 1990s. The World Bank and, increasingly, the IMF, have limited influence except in exceptional times of crisis, when beleaguered governments may seek bailouts and rescues. Nevertheless, it is through an engagement with global markets and orchestrated negotiation of reforms rather than through resistance to them that

regimes and coalitions in East and Southeast Asia seek to enhance their political and social power and the forms of governance that underpin them. This is not such a strange proposition. We have already seen how entry into deregulated global financial markets, the progressive adoption of property rights and privatisation of collective or public property has been critical in enabling new forms of power to establish itself within highly illiberal political regimes. At the same time, many aspects of political organisation and governance that define these regimes offer to neo-liberals a critical vision that embodies many of their own central principles, free of the constraints upon private interests that have evolved in social democracies. These operate at several levels.

At the political level

These regimes and models of governance offer a prescription for controlling distributional coalitions, including labour organisations and environmental and welfare lobbies within systems of techno-managerial authority. They can offer models for bypassing representative forms of collective decision-making and contestation through social contracts and participation and citizenship based on functional inclusion (see Rodan and Jayasuriya 2007).

Neo-liberal ideas of governance exhibit a profound ambivalence about democracy informed by the belief that liberal democracies are potential threats to markets and incubators for the tyranny of rent-seeking majorities. James Dorn (1993: 601) of the Cato Institute has argued that, 'Democratic government is no substitute for the free market'. Hayek himself saw the ideal market state as one that essentially guaranteed individual property rights and contracts, and that might not be a democratic state (1967: 161). Indeed, Western governments and development agencies have been quick to withdraw from support of democratic governments and decentralisation experiments that prove chaotic or hostile to private investors (see Wagstaff 2000), and to support so-called 'good coups' against democracies that prove hostile. Neo-liberalism exhibits a preference for techno-managerial forms of governance that redefine the relationship between state and society within *de facto* social contracts intended to free technocratic elites from the debilitating effects of political bargaining with organised rent-seekers in representative organisations like political parties and trade unions. As Rodan (2006b) has pointed out, neo-liberal ideas about accountability and transparency in the market do not necessarily extend into the political arena. It is this emphasis upon controlling distributional coalitions and setting up powerful regulatory capacities that has been central to American efforts at democracy promotion programmes; it embodies a particular form of what critics have called 'low-intensity democracy' or 'liberal authoritarianism', where the market is removed from the arena of representative politics and constituted within a technocratic and legal status (Smith 2000; Gills 2000). Such ideas as participation and citizenship are understood in terms of functional co-option into market society rather than in terms of collective rights to contest political agendas embodied in classical liberal or social-democratic thinking (Jayasuriya 2005a, 2006; see also Carroll, Hatcher, this volume, p. 123 ff., 137 ff.).

The idea that some form of techno-managerial governance may substitute for liberal democracy in the modern market state is illustrated in the mixture of admiration and disapproval with which neo-liberals regard Singapore. At one level, Singapore is criticised by business lobbies in the USA and in 2006 by no less than former World Bank head Paul Wolfowitz for its opaque systems of information and transparency and for the way the state continues to play a key role in investment and shaping national economic strategies. Nevertheless, as Rodan (2006b) points out, the fact that Singapore regularly appears at the top of tables of economic freedom produced by various market-oriented foundations and by the *Wall Street Journal* clearly illustrates the attractions of a form of government that can guarantee to private investors high levels of stability, quality infrastructure and also contain demands from distributional coalitions, including pressures for collective social goods.

We also observe, in the case of Indonesia, nostalgia among neo-liberal scholars for the highly centralised form of techno-managerial rule of the former Soeharto regime, which is seen to have provided certainty and enforcement of property rights, albeit for what was often a favoured few. By contrast, the current democratic regime, beset by the rise of public participation and parliamentary process, offers no such certainty for investors (Duncan and McLeod 2007). It is a sentiment echoed in the business community. Comparing China to Indonesia, for example, Vice President (and prominent businessman) Jusuf Kalla recently observed, 'China's strength is that it can plan and implement. Our system, which is too democratic with too much individual freedom that often disregards the rights of others, has made it difficult for us to build infrastructure … As long as individual right is above public responsibility, we will not progress … That's the only problem we have now' (Suparno 2007).

At the level of economic regulation and governance

These regimes provide opportunities to step outside some of the regulatory constraints and ethical provisions that still apply to financial markets, health and environmental standards and labour relations in residual social democracies in the West.

Neo-liberalism is not only about markets, it also focuses on the primacy of the private interest. While these are assumed to go together, there are often important divergences as private interests and market ideologues, partners in the neo-liberal revolution of the 1980s, disagree over the limits of regulation (Robison 2006b). Within the USA itself, critics within the neo-liberal camp, including in the fundamentalist Cato Institute, began to talk of a conflict between the rich and the markets under the Bush presidency (Zingales and McCormack 2003). It was a rift fuelled by increasing scandals relating to corporate governance, accounting practices and the operation of capital markets within the USA that came to the surface, including the cases of Enron and World.Com. This conflict has extended into the developing world as investors and financiers who benefited from the deregulation of global markets now find selective benefits in forms of governance that enable looser regulation of private interests in the context of strong political guarantees against collective social demands.

Despite ongoing problems of 'bad governance', including rampant corruption, flows of investment and loans have continued to make their way into developing and post-crisis countries from the West. While the ideologues of the neo-liberal idea saw governance in terms of the principles of markets and the regulatory state, for much of the business community in the West their enthusiastic embrace of the neo-liberal regulatory state in the 1980s was based on the promise of open global markets, while 'good governance' largely meant keeping distributional coalitions (or at least those that threatened private commercial interests) out of the equation and reducing the influence of welfare, labour and environmental lobbies over government policy. The conflict between the need for protection of their collective interests in property rights and regulation and the opportunistic promise of private advantage in the market is illustrated in ongoing pressure from business lobbies, particularly in the USA, to resist regulation of the financial sector and to water down attempts to impose various health and energy standards on investors (cf. Simpson 2008). Globalisation, ironically, has therefore meant an opportunity to seek competitive advantages within different systems of governance where looser regulation and lower taxes and labour costs are politically enforced.

In this situation the problems of dealing with corrupt officials and judges are set against the potential bonanza offered by the capture of rents. The willingness of investors from the West to take large risks was illustrated in the financial feeding frenzy that directed huge flows of funds into increasingly speculative Asian markets in the years preceding the Asian economic crisis (Wade 1998; Kristof and Sanger 1999). Lending to grossly over-extended corporations and dealing with new financial institutions where the distinction between borrowers and lenders was blurred at best and often defined by insider loans that contravened normal legal lending limits appeared to present no problems to investors. Opportunistic and speculative business empires arose within the region on the back of these massive and imprudent global financial inflows, not only in the new banking and financial sectors but also in areas like property, infrastructure and construction (Robison and Hadiz 2004).

So long as the rewards were high and governments presumed able politically to guarantee speculative ventures and property rights, pervasive corruption could be factored into the risk calculations and there were few qualms about the absence of level playing fields. These risks were lessened where they could be offset by hedging through complex derivative instruments and by the direct support of Western governments anxious to enhance national commercial activity and economic hegemony. Within the USA, critics within the neo-liberal camp itself claimed that the IMF had descended into bailing out imprudent investors rather than allowing them to face the consequences of bad decisions. One editorial in the *Asian Wall Street Journal* characterised the IMF as nothing less than a form of socialist international (1997). American, Japanese and European import–export banks also provided billions of dollars in loans to assist their corporate champions in the feeding frenzy that swept the booming Asian infrastructure sector in the 1990s, even though it was well understood that the allocation of contracts invariably involved the corrupt distribution of tenders. Since the crisis, Western

governments have, in some important instances, also intervened on behalf of these investors where domestic reformist governments have attempted to revise or cancel these contracts. This has been done in the name of property rights (Robison and Hadiz 2004).

But would the disciplines of the market driven by the panic of Friedman's anonymous herds of currency dealers and funds managers inevitably foreclose on such activities? Did the Asian economic crisis, as a definitive example, not represent the day of reckoning for those who had flouted the rules of market responsibility? As the dust cleared in 1998 and 1999 the central problem became one of dealing with the numbers of insolvent banks, the array of companies paralysed by debt and those that had defaulted on loans. This was an ideal opportunity to establish the instruments of 'good governance' as banks were recapitalised, debts re-scheduled and effective court systems established to handle problems of bankruptcy. Against these pressures, domestic private businesses caught up in the volatile currency crisis saw their way out through defaulting on loans, liquidising their assets and fleeing from local currencies, and where possible forcing governments to bear the cost of their debts, buying back in at lower prices in the future. It was assumed by reformers, including the IMF, that abrogating the central principles of business, companies and governments involved would find difficulty attracting further loans or investment. Yet, for the most part, global private investors have returned to capital markets and to private borrowers even where the evidence of reforms in governance, including in the court systems, are missing.

In a sense, the problem of convergence can be restated. Rather than a convergence towards free markets and liberal forms of democracy and legal rational forms of authority, there is also a convergence where neo-liberal ideas about the market state are accommodated within highly illiberal forms of political authority and within forms of regulation that see the market in terms of the interests of its most powerful players.

Acknowledgements

I would like to thank Kanishka Jayasuriya and Garry Rodan for insightful comments of earlier drafts of this chapter.

Notes

1 These include such figures as Museveni of Uganda, Rawlings of Ghana, Chiluba of Zambia, Muapa of Tanzania and Kibaki of Kenya.
2 Among these are Alberto Fujimori in Peru, Carlos Menem in Argentina, Carlos Bolona in Peru, Miguel Rodriguez in Venezuala and Fernando Collor in Brazil.
3 It has often been the best remunerated and trained sections of the civil service, including the financial ministries and central banks, that have been at the heart of many financial scandals (see, for example, Hamilton-Hart 2001). Applying salary increases for civil servants to reduce incentives for corruption and the costs of being honest is a popular strategy for changing behaviour by institutional means among neo-liberal political economists (see McLeod 2005). But this assumes a short-term, rational-choice calculation that ignores the role of corruption as a cement for wider political and social relations.

As Harrison (2005: 252) has observed, higher pay scales have simply fed into existing systems of clientalist and informal politics in many African countries.

4 The preparedness to cling onto power through increasing repression as economies unravel has often been the pattern in sub-Saharan Africa, illustrated in its starkest form in the case of Zimbabwe (Kransdorf 2006).

5 These became, for example, the basis of Chad's refusal of World Bank demands that it restrict the use of its loans for development programmes rather than for arms purchases (Massey and May 2006) and the continuing ability of Sudan to chart an independent course in economic and geo-political strategy. Former World Bank head Wolfowitz has expressed concern that Chinese bank loans, particularly in Africa, could undo the objectives of debt-forgiveness programmes introduced by the West by opening opportunities for further plunges into debt (Cruoigneua and Hiault 2006). In Southeast Asia, too, the surge of investments from China, Singapore, Malaysia and Taiwan (see Watts 2006; UBS 2006) bring quite different implications for the broader politics of governance in that region.

3 Development and governance

An uneasy relationship

Wil Hout

Introduction

The focus on quality of governance in developing countries that emerged during the 1990s should not be seen to reflect an interest of multi- and bilateral aid agencies in the political aspects of the development process. Rather, the emphasis on governance was a new stage in the long-term process of depoliticising development. As various authors have outlined, the World Bank and large parts of the international development community function as an 'anti-politics machine' (Ferguson 1990; Harriss 2001). The introduction of the governance concept – along with other elements of the international development agenda, such as social capital, civil society and participation – can be seen as an attempt to 'represent problems that are rooted in differences of power and in class relations as purely technical matters that can be resolved outside the political arena' (Harriss 2001: 2–3). This concentration on technical aspects should not, however, obscure the fact that the governance agenda is highly political, as preferred modes of governance imply a preference for market-led development, in which the role of the state is delegitimised (Abrahamsen 2000: 49).

This chapter focuses on the conceptual change to 'development as governance' that resulted from the discrediting of the market fundamentalism inherent in the Washington Consensus. It was realised that structural adjustment recipes had failed in some important respects (Miller-Adams 1999: 106–8) and that issues other than market dynamisation are important for economic development. This chapter argues, however, that the attention to governance issues in the post-Washington Consensus, which has dominated the development discourse since, roughly, the mid-1990s, has remained focused largely on formal institutions (for instance, mechanisms for 'accountability' and 'transparency') and technical instruments (such as public-finance management and public-sector reform).

From about the turn of the century, many policy-makers in the area of governance and development, who initially adopted a quite formalistic and technocratic approach to governance issues, have come to realise that the political-economic dimensions of governance reform can no longer be overlooked. Policy-makers in the World Bank and several multi- and bilateral aid agencies have started to adopt approaches that claim to encompass political-economic variables. It is

argued here that the inclusion of such variables, related to power relations and interests, leads to contradictions with the pro-market preferences of the governance agenda inherent in the post-Washington Consensus. The problem is that the attempts of the World Bank and multi- and bilateral aid organisations to include political-economic variables may easily turn out to be 'the next "fix", limited to a narrow and fairly mechanistic kind of stakeholder analysis' (Unsworth 2005: 8). In other words, the new political-economy approaches will likely run up against the inherent internal contradictions of a governance agenda that necessarily serves a specific set of political and social outcomes. Their impact beyond the rhetorical level in policy practice will probably remain limited.

This chapter discusses these propositions in the context of the changing conceptions of governance in the international development community since the early 1990s. The next section analyses the tensions that have come to the surface in World Bank thinking on governance as a result of the realisation, at least at the theoretical and conceptual level, that a more political understanding of governance, and of the reform programmes aimed at enhancing governance quality, is required. The third section discusses the cases of two bilateral donors (the United Kingdom and the Netherlands) who have realised that a more explicit political-economic approach to governance reform is needed. This section analyses the tensions between the need for a clearer political-economic focus in assistance programmes and the predominantly formal and instrumental approach to governance characterising UK and Dutch development policies. The final section presents some conclusions on the nature of the change from 'development as markets' to 'development as governance'.

The World Bank and governance

The first signs of a profound analysis of governance in World Bank circles can be traced to a discussion paper on managing development of August 1991. In the paper, governance was defined as 'the manner in which power is exercised in the management of a country's economic and social resources for development' (World Bank 1991a: 1). The Bank steered clear of the politics of the development process and stressed the technocratic aspects of governance, arguing that 'governance may be relevant to the Bank's work if it is addressed in terms of having good order and discipline in the management of a country's resources' (World Bank 1991a: 3). The World Bank's report focused on 'four key dimensions' (World Bank 1991a: 7–13):

- *capacity and efficiency issues in public-sector management*, with a focus on public-expenditure management, civil-service reform, and reform of public enterprises and privatisation;
- *accountability*, with an emphasis on mechanisms to ensure financial accountability, monitor the overall economic performance of governments and avoid corruption;
- *predictability and the legal framework for development*, implying that there

should be a set of rules known in advance, that these rules are actually in force, there are mechanisms for the application of the rules, resolution of conflicts takes place through binding decisions of an independent judiciary and there are procedures for amending the rules that no longer serve their purpose; and

- *information and transparency*, which would play a central role in maintaining the efficiency and competitiveness of the private sector and establishing a safeguard against corruption, wastage and the abuse of executive authority.

In the framework of concessionary lending through the International Development Association (IDA), the World Bank had been using instruments for the monitoring of country performance since the mid-1970s. Between 1977 and 1998, with the help of the so-called Country Performance Rating (CPR), IDA judged borrowing countries on their short-term and long-term economic management as well as on their poverty alleviation policies (see World Bank Operations Evaluation Department 2001: 4–10). Governance was understood as accountability, openness and predictability of government actions, community participation in programmes and projects, and the use of resources for military purposes (World Bank Operations Evaluation Department 2001: 4–5).

The CPR instrument was replaced by a different performance-rating methodology at the beginning of the twelfth so-called replenishment of IDA (1999–2001). This methodology comprised the Country Policy and Institutional Assessment (CPIA), an additional measure for the quality of governance and a financially oriented portfolio performance indicator (a measure of the proportion of projects at risk in countries' borrowing portfolios).

The CPIA consists of four equally weighted clusters, each measured by three to five indicators, on a scale ranging between 1 (very strong) and 6 (very weak). The clusters and indicators are:

- *economic management*: macro-economic management, fiscal policy and debt policy;
- *structural policies*: trade policy, financial-sector structure and policies, and business regulatory environment;
- *policies for social inclusion/equity*: gender equality, equity of public-resource use, service delivery in health and education, social protection and labour, and policies and institutions for environmental sustainability;
- *public sector management and institutions*: property rights and rule-based governance, quality of budgetary and financial management, efficiency of revenue mobilisation, quality of public administration and transparency, and accountability and corruption in the public sector (World Bank Operations Policy and Country Services 2004).[1]

In addition to using these sixteen indicators of the CPIA, the so-called *governance factor* is applied as a corrective element to take into account the quality of governance of countries that are eligible for IDA assistance.[2] IDA argued that '[g]ood governance is being increasingly recognized as a keystone to effective

development. A country's quality of governance can be seen as a proxy for its ability to effectively use additional funding, or absorptive capacity' (International Development Association 2001: 3).[3] IDA calculations estimate that the CPIA indicators on public-sector management and institutions together with the governance factor have an effective weight of 66 per cent in the country performance rating (International Development Association 2006: 11).

Despite IDA's apparent attention for governance quality, the World Bank's approach to the governance issue has remained quite technocratic and apolitical, to the extent that it denies any link to specific socio-political outcomes. A closer look at the governance indicators makes this clear (World Bank Operations Policy and County Services 2004: 32–40; International Development Association 2006: 5–6). Four of the six indicators (the so-called 'procurement flag' taken from the Annual Review of Portfolio Performance, quality of budgetary and financial management, efficiency of revenue mobilisation, and quality of public administration and transparency) are highly technically and administratively oriented: they focus on, respectively, quality, reliability and transparency of procurement administration; budgetary and financial management; tax policy and administration; and policy coordination, efficiency of service delivery and wage management.

The two indicators that have potentially the clearest relation to the functioning of the political system (property rights and rule-based governance, and transparency, accountability and corruption in the public sector) stay away from the political process and possible distortions, as an inspection of the definitions demonstrates. The indicator on property rights and rule-based governance

> assesses the extent to which private economic activity is facilitated by an effective legal system and rule-based governance structure in which property and contract rights are reliably respected and enforced. Each of four dimensions should be rated separately: (a) legal basis for secure property and contract rights; (b) predictability, transparency, and impartiality of laws affecting economic activity, and their application by the judiciary; (c) difficulty in obtaining business licenses; and (d) crime and violence as an impediment to economic activity.
>
> (World Bank Operations Policy and County Services 2004: 33)

This definition illustrates the bias of the indicator toward business and economic activities, rather than the functioning of political systems.

The indicator on transparency, accountability and corruption in the public sector is calculated on the basis of three components: '(a) the accountability of the executive to oversight institutions and of public employees for their performance; (b) access of civil society to information on public affairs; and (c) state capture by narrow vested interests' (World Bank Operations Policy and County Services 2004: 41). Together, these are assumed to assess

> the extent to which the executive can be held accountable for its use of funds and the results of its actions by the electorate and by the legislature and judi-

> ciary, and the extent to which public employees within the executive are required to account for the use of resources, administrative decisions, and results obtained. Both levels of accountability are enhanced by transparency in decision-making, public audit institutions, access to relevant and timely information, and public and media scrutiny. A high degree of accountability and transparency discourages corruption, or the abuse of public office for private gain.
>
> (World Bank Operations Policy and County Services 2004: 41).

The conception of accountability that is used here has, again, a rather functional and technocratic overtone, as it rests on transparency and public audit. Political aspects, such as the accessibility of decision-making to marginalised groups and possible distortions of interest representation in the political system, are not addressed. Civil society is mentioned, but only in relation to transparency (access to information on public affairs), and not in its role of providing un- or under-represented social groups with the means to have their voice heard in the political system.

The treatment of governance in IDA's country performance assessment was criticised in a review undertaken by an external Panel of Experts in 2004. The Panel commented, among other things, that the understanding of governance in the CPIA appears one-sided; it suggested the development of 'a separate criterion for "*political* governance"' (World Bank 2004b: 3, italics added). Preparations for the fifteenth IDA round (2008–11) focused on the CPIA's role in the country performance rating, but there is no sign of inclusion of more explicitly political variables among the governance-related indicators (International Development Association 2006: 19; 2007: 21).

Interestingly, staff from the World Bank Institute, the Bank's capacity development division, have attracted much attention in academic and policy circles with the development of six empirically grounded measures of governance. Daniel Kaufmann *et al*.'s measures, which pay much more attention to the political dimensions of governance, have been compiled in the *Governance Matters* dataset (Kaufmann *et al*. 1999a, 1999b, 2006a, 2006b).

Apart from containing variables on government policies and regulations[4] and on rule of law and anti-corruption,[5] *Governance Matters* comprises a cluster of variables related to political competition and legitimacy (Kaufmann *et al*. 1999b: 7). 'Voice and accountability' refers to 'the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and free media' (Kaufmann *et al*. 2006a: 4). 'Political stability and absence of violence' is a measure of political legitimacy, expressing 'perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including political violence and terrorism' (Kaufmann *et al*. 2006a: 4). In contrast to the widespread interest in the data among researchers, the *Governance Matters* scores have not been adopted for decision-making on allocations by the World Bank, not even as 'guideposts' in the CPIA process (cf. World Bank Operations Policy and County Services 2004: *passim*).

Many authors have commented that the evolution of thinking on governance in World Bank circles is part of a more profound change in thinking about the relative roles of the market and the state in governance. Various authors have interpreted the change as one away from the Washington Consensus to a post-Washington Consensus (Stiglitz 1998). The movement away from market fundamentalism ('development as markets') that is visible in the emphasis of governance quality in the post-Washington Consensus ('development as governance') does not, however, signal a radical change in the thinking about markets *per se*. The constant element in the thinking about development remains the functioning of markets: the post-Washington Consensus, borrowing from new institutional and information-theoretic economics, has been emphasising institutions as instruments to correct market imperfections and, along with this, the need to limit the role of the state to that of a regulator. As Ben Fine has noted:

> The pre-Washington consensus view of the state as a benign force for development has been lost in the transition to the post-Washington consensus which has adopted from the Washington consensus an understanding of the state as being subject to capture by rent-seeking agents. Consequently, whilst not accepting that the potential for rent-seeking undermines the rationale for any state intervention, the post-Washington consensus is mindful of the need to ensure that correction of market imperfections is not nullified by non-market imperfections. Interventionism should be limited to the capacity for good governance which itself becomes an object of policy.
>
> (Fine 2001: 143)

The implication is that World Bank thinking on development, despite its emphasis on the precepts of good governance, remains inherently neo-liberal in character. The difference between the Washington Consensus and the post-Washington Consensus, therefore, is one of degree, not one of kind.

The continuity in World Bank development thinking is exemplified in many recent Bank publications, most notably the flagship annual publication, the *World Development Report*. The *World Development Report 2002*, entitled 'Building Institutions for Markets', is premised on the notion that markets are the central element of development: 'income from participating in the market is the key to boosting economic growth for nations and to reducing poverty for individuals' (World Bank 2002a: 3). The main challenge appears to be essentially a micro-economic issue for the World Bank: it is about creating opportunities and incentives for poor people to make use of markets (cf. Fine 2003: 14). The *World Development Report 2002* clearly spells out its view of the role of markets and institutions:

> Markets allow people to use their skills and resources and to engage in higher-productivity activities if there are institutions to support those markets. What are these institutions? Rules, enforcement mechanisms, and organizations *supporting market transactions*. Extremely diverse across rich and poor

> communities and nations, they help transmit information, enforce property rights and contracts, and manage competition in markets. All market-supporting institutions do one or more of those things. And in so doing, they give people *opportunity and incentives to engage in fruitful market activity*.
>
> (World Bank 2002a: 3–4, italics added)

In the World Bank's view, the role of the state under conditions of 'good governance' is reduced to that of regulator. The *World Development Report 2002* distinguishes four elements, in particular, as main tasks of the state:

> the creation, protection and enforcement of property rights, without which the scope for market transactions is limited … the provision of a regulatory regime that works with the market to promote competition … the provision of sound macroeconomic policies that create a stable environment for market activity … the absence of corruption, which can subvert the goals of policy and undermine the legitimacy of the public institutions that support markets.
>
> (World Bank 2002a: 99)

This description of the role of the state as regulator focuses on its contribution to enhancing economic efficiency and the proper functioning of markets. Politics thus is defined very narrowly, in terms of the provision of institutions, while more profound aspects, which have to do with conflicts of interests and the manipulation of institutional arrangements for specific sectoral interests, lie beyond the purview of the Bank's analysis (cf. Jayasuriya and Rosser 2001: 391).

The World Bank's attempt at self-assessment in its report *Economic Growth in the 1990s* signals significant changes at the conceptual and theoretical level that seem to diverge from the techno-managerial approach that has characterised much of the Bank's approach. Interestingly, the report argues that

> Perhaps the most important lesson of the 1990s is that technocratic responses to improve governance work only in very auspicious settings – where there is committed leadership, a broadly based coalition in support of reform, and sufficient capacity to carry the reform process forward … Meeting the challenge requires a good understanding of the political dimensions of reform, and, in particular, of how reform can be used to identify and build constituencies that are capable of sustaining the reform momentum.
>
> (World Bank 2005f: 298)

Although the report seems to signal much greater sensitivity for political dynamics than in the past, the 'guidelines' for policy reform as formulated by the Bank remain limited to the creation of incentives for economic actors, the pursuit of growth strategies and the creation of institutional conditions for a favourable investment climate (World Bank 2005f: 262–5).

With respect to public sector governance, the World Bank report concentrates on the adoption of 'strategic incrementalism'. The report advocates a diversified

reform strategy, responding to differences in targeted states, related to the degree of state capture and administrative corruption. States with low degrees of state capture and corruption would benefit from technical approaches to enhance the quality and efficiency of public-service provision. In weak states, with mild state capture and a high level of corruption, the emphasis should be on mechanisms to ensure tax collection, minimal service delivery and budget execution. Captured states – characterised by a high degree of state capture and corruption and often dependent on resource extraction or a small number of valuable industries – would need the break-up of vested interests. In 'restrained' states, with a captured state but low corruption, the demand for change of leadership should be encouraged, for instance through civil-society action (World Bank 2005f: 297–9).

This approach is reiterated in the Bank's major document on governance and corruption that was tabled at the 2006 Annual IMF-World Bank meeting in Singapore. This report is adamant about the possibility of intervention: 'Improving governance means engaging with institutions outside the central government (parliament, local communities, civil society, and the media) and supporting them to complement ongoing work with central government institutions' (World Bank 2006f: 6). Such strategies are envisaged primarily with respect to countries where 'governance and corruption pose major obstacles to reducing poverty and are high in the country's own priorities' (World Bank 2006f: 8), such as Indonesia, Bangladesh and Albania. The Bank opts for 'broad interventions' to help improve governance in developing countries. Such interventions would include strengthening the capacity, transparency and accountability of state institutions; strengthening participation and oversight by civil society and the media; strengthening the private sector; and strengthening political accountability (World Bank 2006f: 13).

The World Bank's increased recognition of political factors in the governance-reform process has not had a direct visible impact on the Bank's application of the CPIA. There are no signs that the allocation of loans will become less performance-based and less reliant on the technocratic and market-oriented CPIA (World Bank 2006f: 39). Further, it is not clear how the change in thinking would reflect in actual lending practices and how the awareness of political dimensions of reform would be featured into projects and programmes aimed at strengthening governance in developing countries. The advocated changes are likely to remain rhetorical and have little impact on day-to-day World Bank policy practices.

Governance criteria and aid practices

Various bi- and multilateral development agencies have stressed the need to go beyond the technocratic and instrumental approach to governance that originated in the 1990s, and include more profound political-economic analyses. These development agencies, while recognising the urgency to pay attention to power and interests, have great difficulty with translating the analytical insights into policy decisions. Thus, the attention for political-economic processes has remained primarily important at the analytical and rhetorical level.

DFID and the 'drivers of change'

As in many other aspects of development-assistance policy, the Department for International Development (DFID) in the UK has been at the forefront of adopting a more political-economic understanding of governance issues and their relationship to development. Before 2005, UK aid came with many 'conditions and milestones [that] include a range of indicators of inputs, outputs, processes and outcomes, including policy actions', but paid hardly any attention to governance issues (Mokoro 2005: 6).

A policy change that was initiated in 2005 aimed at establishing 'partnerships for poverty reduction' between the UK and aid-receiving countries. Secretary of State for International Development Hilary Benn indicated that partnerships should focus on 'shared commitment' to the Millennium Development Goals, respect for human rights and other international obligations related to peace and security, and the strengthening of financial management, accountability and administration and the fight against corruption (Secretary of State for International Development 2005: 1).

In addition to the partnership approach, the White Paper on International Development of 2006 launched a new 'quality of governance' assessment, which was intended for use alongside the monitoring of the partnership objectives. The quality of governance assessment would be used to determine how UK development assistance could be delivered. Countries whose governance quality is assessed favourably, would qualify for budget support, while countries with lower quality governance would only receive aid with more restrictions (Secretary of State for International Development 2006: 24).

Despite taking on board the observance of human rights, international obligations and governance quality, the UK's approach to governance has remained relatively instrumental and technocratic. Neither the partnership approach nor the quality of governance assessment includes particular attention for political-economic fundamentals of governance. DFID are clearly aware of this limitation themselves: in 2001, the Department had launched the so-called 'Drivers of Change' (DoC) approach, which aims at understanding the political-economic dynamics inherent in development and poverty reduction processes. DFID argues that the implementation of 'technically sound programmes' is not in itself sufficient to induce pro-poor change in developing countries (Department for International Development 2004: 1).

The philosophy behind the Drivers of Change programme has been summarised as follows:

> 'Drivers of Change' examines 'what is driving change' in the countries where DFID is active … By better understanding how change occurs within specific contexts, it is hypothesised that DFID's programming decisions will be better equipped to respond to this 'how' question and help bring about pro-poor change. DoC therefore emphasises DFID's need to understand economic, political and social contexts, in other words, the application of political economy analysis to formulation of donor strategy and implementation.
>
> (Warrener 2004: 1)

By analysing three different aspects of economic, political and social contexts (agents, structural features and institutions), the Drivers of Change methodology attempts to lay bare the factors that contribute to or impede change. Agents are individuals and organisations pursuing particular interests, including political elites, the judiciary, the military, civil-society organisations and the media. Structural features relate to 'deeply embedded' factors as the history of state formation, natural resources, economic and social structures, and urbanisation. Institutions are the formal and informal 'rules governing the behaviour of agents', and range from laws and official procedures to social and cultural norms (Department for International Development 2004: 1).

The Drivers of Change approach has clearly provided an answer to the criticism that insufficient awareness of the fundamental political-economic structures and processes in societies may render development interventions ineffective. Yet, various commentators have argued that its high level of abstraction does not make the Drivers of Change approach easily applicable to concrete policy decisions (e.g. Dahl-Østergaard *et al*. 2005: 24). An OECD-DAC report on the lessons learned indicates that Drivers of Change analyses appear to have served mainly as means to enhance the understanding of staff at DFID country offices and country specialists at headquarters (Dahl-Østergaard *et al*. 2005: 7). Moreover, the report indicates that

> there is a sense of growing tension – expressed by staff in all locations – arising from the pressure to increase spending, especially in Africa, and to pursue short term interventions to achieve the Millennium Development Goals. This is seen as difficult to reconcile with the emphasis of DOC studies on local political process, and longer timescales for fundamental change.
>
> (Dahl-Østergaard *et al*. 2005: 7)

In conclusion, the introduction of the Drivers of Change approach by DFID seems to have produced a more profound awareness of structural factors – related to history, geography, economic power and political and social institutions – and their impact on the adoption and implementation of poverty reduction strategies in developing countries. The failure to implement the lessons obtained in broad-based, structural studies of power and social relations in developing countries to the practice of development assistance is witness to the deep-seated tensions in DFID's agenda on governance and development. As was indicated above, this agenda remains limited to predominantly formal and technical measures to improve public administration and government operations. The fundamental political-economic problems of governance highlighted in Drivers of Change analyses, which are related to issues such as the access of marginalised groups to decision-making and the institutional bias favouring certain sectoral interests, would require more direct political interventions, aimed at social, political and economic transformations in aid-receiving countries. It is highly doubtful whether such an approach would be acceptable to policy-makers in DFID or recipient governments.

The Netherlands and the strategic governance and corruption analysis

The experience of Dutch development-assistance policies since the adoption of governance-based selectivity in 1998 shows a logic that is different from the UK's. Ever since the selection of 22 recipients of bilateral assistance by Minister Eveline Herfkens in 1999, policy-makers have referred to countries' governance to legitimise their allocation decisions (see Hout 2007b: 50–69). Empirical analyses have revealed a clear pro-market bias in the Dutch understanding of governance: the adoption of market-friendly policies by developing countries has significantly increased their chance of selection as a preferred partner for Dutch assistance, particularly during Herfkens' tenure (1998–2002). In general, World Bank-inspired assessments (such as the CPIA ranking) appeared more important in decision-making on Dutch aid than variables related to recipients' political systems (see Hout 2002: 519–23; 2007a: 157–62; 2007b: 123–6).

In October 2007, the current Minister for Development Cooperation, Bert Koenders, announced a revision of the list of 36 'partner countries' that had previously been selected for Dutch development assistance. According to Koenders, the assessment of governance has played an important role in the revision (Minister for Development Cooperation 2007: 35). Koenders distinguishes three 'country profiles' of partner countries. The first profile relates to countries where the focus is on accelerating achievement of the Millennium Development Goals (MDG). These low-income countries are felt to have 'a reasonable level of stability and improving governance' (Minister for Development Cooperation 2007: 38), so that investment in MDG achievement is worthwhile. The second profile consists of 'fragile states', where the focus is on security and the strengthening of government legitimacy and capacity. Finally, the third profile comprises (near) middle-income countries, with which the Netherlands aims to strengthen economic ties (Minister for Development Cooperation 2007: 43–4).

Since 1994, the Dutch Ministry of Foreign Affairs has been assessing governance quality in partner countries. The so-called 'track-record' instrument was developed to determine whether partner countries would qualify for macro-economic support or sectoral budget support. In case of a positive judgement, aid modalities are chosen that allow 'alignment' (integration with the policy and budget of partner countries). Generally speaking, fully 'aligned' aid is general budget support, while 'non-aligned' aid is assistance in the form of projects (Ministry of Foreign Affairs 2004b: 3–5). The track-record analysis collects information on four clusters, each comprising two sets of issues. The clusters and issues are the following:

- *poverty reduction*: (a) adequacy of the national poverty reduction strategy, (b) political commitment to poverty reduction policies;
- *economic order*: (a) the contribution of macro-economic policy to stability of the policy environment and economic growth, (b) the contribution of structural-reform policy to national business climate and economic structure;
- *good governance*: (a) quality of public-finance management, (b) basic conditions of good governance;

- *dialogue*: (a) opportunities to influence the government through policy dialogue, (b) progress with regard to donor harmonisation and alignment (Ministry of Foreign Affairs 2004b: 14–16).

The emphasis of the track record is on relatively technical and managerial issues. The political commitment to poverty reduction and the basic conditions for good governance (with attention for accountability, human rights, effective government, equitable and sustainable development, government legitimacy and corruption) constitute the more political elements of the track record and, together, contribute 25 per cent to the overall judgement on the partner country concerned. The track-record instrument is used primarily for technical purposes (it is for judging whether the conditions for giving budget support are met), and is not applied to assess countries' broader governance framework. Decisions on the selection of countries for a long-term bilateral aid relationship are made without reference to their track records.

Over time, it was argued that a more profound understanding of governance would be required, as the formal and rather technical assessment methods do not provide sufficient insight into the political-economic dynamics of developing countries. A first step was made by the Ministry's Good Governance Division with the publication of the *Good Governance Handbook* in 2004. The handbook stipulated, more or less in line with DFID's Drivers of Change approach, that external support of processes of change requires a proper understanding of the internal political dynamics in developing countries, most importantly of the driving forces behind reform attempts (Ministry of Foreign Affairs 2004a: 21). A more recent discussion paper, published by the Effectiveness and Quality Directorate, stressed that donors should pay more attention to the political dimensions of poverty and poverty reduction. It was argued that policy-makers should 'look behind the façade' in developing countries and identify forces that might lead to reform (Ministry of Foreign Affairs 2007).

The attention given to the political and political-economic realities in developing countries at the Dutch Ministry of Foreign Affairs culminated in the adoption of an instrument that promised a more profound understanding of the dynamics of reform in developing countries, most importantly with respect to their governance structures. On the basis of the so-called Stability Assessment Framework (Ministry of Foreign Affairs 2005) that had been developed by staff at the Netherlands Institute for International Relations, a Framework for Strategic Governance and Corruption Analysis (SGACA) was implemented in the course of 2007. The logic behind SGACA, which borrows from the Drivers of Change methodology, is to 'facilitat[e] a more strategic approach to analysing the context for governance and anti-corruption for each partner country' (Unsworth *et al*. 2007: 3). SGACA's approach is summarised as follows:

> Apart from formal factors, the SGACA aims to capture the informal, societal and sometimes intangible underlying reasons for the governance situation, which can often differ from the formal configuration of the state. Such

> an analysis can improve the design of donor interventions, through a better understanding of what happens behind the 'façade' of the state on the one hand and what really drives political behaviour on the other.
>
> (Unsworth *et al*. 2007: 3)

SGACA's centrepiece is a so-called power and change analysis, which is to be conducted by a local or international consultant in coordination with staff at Dutch embassies. This analysis focuses on the 'foundational factors' (the factors that shape the country's political system), the 'rules of the game' (in particular, formal and informal institutions of the state, civil society and the private sector) and the 'here and now' (the capacities and interests of key actors and the pressures they are responding to) (Unsworth *et al*. 2007: 6–15). On the basis of the power and change analysis, workshops are envisaged with embassy staff to draw conclusions on the situation in the partner country and consider the implications for the strategic choices facing the Netherlands on governance and anti-corruption policies. These should be factored into the multi-annual strategic plan that is to be worked out between the embassy and the Ministry headquarters for the partner country concerned (Unsworth *et al*. 2007: 22–31).

At the moment of writing (early 2008), SGACA is still in its infancy. The first assessments of the partner countries, undertaken by external consultants, are under way. It is too early to tell whether the Netherlands will be able to integrate the results of power and change analyses successfully and whether SGACA will provide the tools to get away from the quite formalistic and technocratic approach characterising governance reform. The introduction of governance-oriented selectivity in Dutch development assistance after 1998 earlier brought me to the conclusion that new policy principles failed to have a real impact on the choices of the Ministry of Foreign Affairs: countries that had been favoured before 1998 continued to be preferred partners after the move towards selectivity (Hout 2007a: 166–7). If this recent history is anything to go by, there is every reason to be sceptical about the Ministry's ability to implement a radically different policy practice as a result of the new governance-assessment instruments.

Conclusion

The change from 'development as markets' to 'development as governance' that has permeated the international development community during, roughly, the last decade has had some important consequences. Many actors have argued that governance is an important element of development. Under the influence of thinking in World Bank circles, governance has been understood primarily as an instrument to enhance the deepening of markets, with an emphasis on the building of formal and technical institutions. This functional and disembedded understanding of governance gradually came under attack from analysts who stressed that reform processes have an inherently political-economic character, as they impact on interests of socio-economic groups and on the relations among such groups.

This chapter has discussed several examples of the growing attention for political and political-economic dimensions of governance in the international development community, with specific attention to the World Bank and two bilateral aid donors (the United Kingdom and the Netherlands). It was argued that it is relatively easy to signal the need for a more political or political-economic approach to development and governance, but it is much more difficult to translate awareness into concrete policy decisions. In the World Bank, the technocratic assessments of governance and institutions remain unaffected by the calls for political analysis. Likewise, day-to-day British and Dutch development-assistance practices remain, as yet, largely unchanged despite the adoption of political-economic assessment frameworks.

The analysis of World Bank, British and Dutch policies suggests that there are two irreconcilable logics of reform underlying the formal-technical and the political(-economic) approaches to governance. The formal-technical approach leads to measures aimed at bringing about more effective and efficient government practices. The political and political-economic approaches, however, lead to a focus on social, political and economic power and interests, and on the way these cause problems of governance. The governance-reform policies that follow from the latter approaches are not limited to ways of bringing about more effective government, but are likely to suggest more fundamental interventions in the socio-economic and political realities of developing countries. As reforms of this kind will inevitably produce winners and losers – the latter being the main beneficiaries of corruption, patronage and clientelist networks – they will invoke resistance.

The paradox of governance reform seems to be that political and political-economic approaches are key to understanding the fundamental causes of bad governance, but implementation may be difficult or even impracticable. Formal-technical approaches, at the same time, may be feasible but are not likely to address the fundamental causes of bad governance, related to existing asymmetries in power and socio-economic inequalities, and therefore turn out to be self-defeating.

Acknowledgements

I would like to thank Dirk-Jan Koch and Richard Robison for their comments on an earlier version of this chapter.

Notes

1 This account is based on the current CPIA methodology that has been used since 2005. The previous methodology, comprising the same four clusters, but slightly different sets of indicators, is described in International Development Association (2003).
2 Earlier, IDA applied the so-called governance discount (International Development Association 2001: 4).
3 This statement seems to refer to the conclusion of the *Assessing Aid* report that aid is effective if given to developing countries with good institutions and policies (World Bank 1998: 2–4).

4 These variables are: government effectiveness ('the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies') and regulatory quality ('the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development') (Kaufmann *et al*. 2006a: 4).
5 These variables are: rule of law ('the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence') and control of corruption ('the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests') (Kaufmann *et al*. 2006a: 4).

Part 2

Behind the scenes at the global level

Global public goods or the globalisation of interests?

4 Global governance, global public goods and the WTO

Contradictions between trade liberalisation and development

Richard Higgott

Introduction

The progressive integration of the global economy through the liberalisation of the trade regime, the deregulation of financial markets and the privatisation of state assets has led to what we now commonly call 'globalisation'. But this development of the global economy has not been accompanied by a comparable development of the global polity, and it is now becoming increasingly recognised in both scholarly and policy circles that, without the development of norms, institutions and processes to manage many of the advantages that globalisation has brought (see Wolf 2004 and Bhagwati 2004), globalisation could be undone by a failure to mitigate the excesses and negative consequences (especially for large sections of the world's poor) that emanate from globalisation (see Krugman 2001; Bello 2004; Stiglitz 2002; Stiglitz and Charlton 2006). This is a well-understood conundrum.

In policy circles attempts to overcome this conundrum, especially in the economic literature, have seen a growing interest in the ability, or otherwise, of the global policy community to provide 'global public goods' (see Kaul *et al*. 1999 and 2003). Indeed, for many, the provision of global public goods (GPGs) is both the rationale for, and extent of, global governance. It is the aim in this chapter to suggest that this essentially technocratic approach to governance represents too narrow an understanding of governance and is destined to remain contested as currently constituted. This position is argued theoretically and also by an analysis of free trade as a global public good and the WTO as a vehicle for the provision of that good.

In this chapter it is asked whether 'development' and the liberalisation of trade are compatible global public goods. The answers to this question are complex. The roles that the WTO might, or might not, play as a vehicle for enhancing the development of norms and institutional processes that not only meet the aims of its core business – the progressive liberalisation of trade – but also adapt in such a way that it contributes (along with other key institutions) to development in particular and indeed the governance of the contemporary global order more generally are not clear cut and are at times contradictory. Success in the longer term is dependent on a number of key factors. I propose a *heuristic* working defi-

nition of 'governance' that allows us to identify two key strands that any insitution needs to embrace if it is to meet its remit successfully.

Global public goods and global governance

The definition of public goods – usually in terms of non-rivalry and non-excludability – has been extended at the global level to encompass the institutional venues for collective decision-making and public-goods provision. That is, the institutions that provide the public goods come to be seen as public goods in their own right. As we shall see later, there are problems with this understanding of global public goods.

Next to public goods, the term 'governance' also poses serious conceptual problems. The search for meaningful use of the term is a reflection of the growing despair over the mismatch between the over-development of the global economy and the under-development of the global polity. Governance has become a hosting metaphor identifying non-traditional actors (non-state actors such as NGOs and networks) that participate as mobilising agents broadening and deepening policy understanding beyond the traditional, exclusivist, international activities of states and their agents (see Slaughter 2004). The demand for global and regional governance has grown stronger with the realisation that sovereignty is increasingly a relational and relative question of responsibility (Krasner 1999), rather than one of absolute principled legal control over specifically determined space, one result of which is a dramatic change in the role of international law.

'Governance' assumes the mantle of an ethically neutral activity – rather similar to the manner in which public administration within states was traditionally understood and removes substantive notions of politics or ethics from problem-solving (cf. Hout and Robison, this volume, pp. 3–5). But state and non-state actors alike are not ethically neutral; they have political agendas. For the global policy community, driven largely by economic theory, the delivery of public goods via collective-action problem-solving leads to what I call global governance type I (GGI). By contrast, scholarly interest, driven by normative (often cosmopolitan) political theory and focusing on issues of institutional accountability, greater citizen representation, justice and the search for an as yet to be defined global agora (cf. Stone, this volume, p. 64) lead to a looser global governance type II (GGII). But without the enhancement of GG II, the prospects of the continuance of GG Type I will become unsustainable.

Presently, GGI, especially as reflected in the global public-goods literature (cf. UNIDO 2005) is seen largely as the effective and efficient making of public policy, where the enhancement of property rights and the reform and development of institutions is the key to success. The theory of global public goods is driven largely by economic theory and within it politics is largely about the 'rediscovery of institutions'. These innovations are important and appropriate, but insufficient. To the extent that they privilege efficiency over accountability they isolate the institutions of global governance from the lobbying (of both a special-interest and general-interest kind) which is the very 'stuff' of politics. This problematic

notion is evident in the approach of the WTO, which is based on the idea that the liberalisation of trade is an uncontested global public good.

At the core of the quest for legitimacy is the relationship between the market and governance, which involves a struggle over the pace of economic liberalisation. But this is a *political* struggle about the distribution of global wealth, not merely a technical economic one about how best to produce that wealth. The struggle has become increasingly vocal since the emergence of the anti-globalisation backlash in the closing years of the twentieth century. Global governance is no administrative 'science' to accompany economic 'science', but rather a contested political process (Higgott 2000). Global (economic) governance is understood as those arrangements – across a spectrum from weak to strong in influence – that various actors attempt to put in place to advance, manage, retard, control, regulate or mitigate economic globalisation. But the heuristic in this chapter operates with two 'understandings' of global governance:

- *Global Governance I (GGI)*, built on an economic theory of governance, focuses on effectiveness and efficiency in the delivery of global public goods. It is underwritten by the emergence of a technocratic-cum-managerial elite. International institutions are increasingly important as instruments of transaction-cost reduction, policy coordination and compliance for the mitigation of the risks attendant on an open and deregulated global economy.
- *Global Governance II (GGII)*, which is increasingly needed, calls for systems of representation and accountability allowing for the enhanced legitimation and democratisation of policy-making in global, as opposed to national, contexts. GGII reflects an assumption that as the role of the nation state as a vehicle for democratic engagement becomes more problematic, the clamour for democratic engagement at the global level has become stronger.

To date, most assumptions about how to advance the GGII agenda, emanating from essentially cosmopolitan views of global civil society, have simply assumed an extension of the 'domestic analogy' to the extra-territorial, or global, context. That is, the model of democratic accountability that we have come to understand and accept in the advanced countries of the developed world has been extended to the wider global context. However, all but the most minimal of democratic constraints present within a domestic polity are absent at the global level. As we have seen in the early twenty-first century, institutional constraints that do exist have little purchase on the behaviour of major powers, especially the contemporary hegemony, should they choose to ignore them (see Grant and Keohane 2005). While there are some 'polity'-like characteristics at the global level (see Ougaard and Higgott 2002), there is currently no global public sphere in any meaningful legal or a sociological sense.

For GGII to be acceptable to a large group of principal actors in global politics, and remain supportive of GGI, we need to understand the fundamental differences between unrealisable conceptions of cosmopolitan global democratic governance and realisable systems of accountability that can have political purchase in global

public policy. Notions of 'procedural fairness' should be taken seriously in order to address the asymmetrical structural nature of global power. Global 'rule-takers' will increasingly resist hegemonic order if the USA continues to defy multilateralism as a principal institutional form of global governance and institutional reform disappears from the international agenda. Legitimacy must be embedded in shared norms (minimally of elites, but wherever possible of the wider national publics of the major state actors) and be underwritten by judicial instruments (such as the ICC and increasingly the dispute-settlement mechanism of the WTO). It should also be enshrined in negotiation practices that are not only efficient (GGI) but also open and inclusive (GII).

Multilateralism as an instrument for generating legitimacy in the twenty-first century is and will be, as Robert Keohane has noted, 'contingent'. Legitimacy should be understood as both a *normative* and a *sociological* concept:

> [N]ormatively, an institution is legitimate when its practices meet a set of standards that have been stated and defended … In the sociological sense, legitimacy is a matter of fact. An institution is legitimate when it is accepted as, and worthy of being obeyed, by relevant audiences. When the relevant audiences believe in a particular normative theory, normative legitimacy tends to coincide with sociological legitimacy.
>
> (Keohane 2005: 2).

On the basis of this definition we can ask hard questions about the legitimate status of an intermediate institutional global public good such as the WTO. Is it, and its actions, legitimate? We may answer 'absolutely so' if we can answer both the normative and the sociological question in the affirmative. The answer is 'only partially so' if we can only answer in the affirmative to the normative component of the definition of legitimacy. Absolute legitimacy requires the existence of GGI *and* GGII. If only GGI is present we can expect no more than partial, and invariably contested, legitimacy.

It is unrealistic to look for absolute legitimacy for international institutions, as GGI and GGII have never existed in perfect combination. Given the changing nature of politics at the global level, especially increasing resistance from the vast majority of 'rule-takers' to the reform of the global trade regime, partial legitimacy is becoming increasingly unacceptable. In the absence of absolute legitimacy, it may be necessary to search for a lower-order institutional 'accountability' (Grant and Keohane 2005).

What are the implications of this discussion for the WTO? There are serious questions about both the normative and sociological legitimacy of the WTO that are not simply related to the adjustment problems arising with the creation of a new organisation. Such structural problems concern

- the continuation of increasingly dysfunctional agenda-setting and decision-making procedures and the issue of to whom the WTO is morally, as well as politically, accountable; and

- the broader question of legitimate functions and roles (that is the boundaries of its remit) for the WTO given the manner in which the move from GATT to WTO has widened its remit in a way not appreciated at its birth.[1]

In order to be recognised as a legitimate intermediate institutional public good, most contributing actors (and not just the key ones) will need to feel that, if not legitimate in a sociological sense, the WTO is at least acting legitimately in the normative sense and is at least 'accountable' not only to states but also to those wider reaches of civil society that now demand greater voice in global public policy. To date, the WTO has operated primarily by the conventions of power politics delivering coerced decision-making, false consensus and inequitable outcomes (Kapoor 2004). The movement from cooperative regimes to increasingly 'legalised' systems of governance (see Goldstein and Martin 2000) – epitomised in the shift from GATT to the WTO – has made the question of the WTO's legitimacy more important. Expectations of accountability and justification for the decisions taken by the WTO are heightened by the institution requiring increased compliance on the part of the governed. If such expectations are not met, the longer term legitimacy of the WTO will remain problematic.

The second half of this chapter addresses some of these conceptual issues in the context of the Doha Development Agenda (DDA).[2] The addition of the 'development dimension' to a round of trade-liberalising negotiation has demonstrated how procedural issues of legitimacy and accountability become as much philosophical-cum-political questions as questions of economic well-being. The relationship between trade liberalisation and 'development' is not one of mutual exclusion in either a theoretical or a practical sense. While there are strong positive and mutually reinforcing elements to the relationship, it can be, and sometimes is, posited in zero-sum terms by many in the development community.

The Doha Round, 'development' and the politics of legitimacy

The WTO's Doha round of trade liberalisation, which started in 2001, was called a 'development round' in order to address worries expressed by the developing countries. The addition of the term 'development' generated a number of assumptions and expectations in the developing world which remain unlikely to be met. According to the Doha declaration, the round aims 'to ensure that developing countries, especially the least developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development' (Doha WTO Ministerial 2001: para 2).

High sounding, but a 'masterpiece of creative ambiguity' (Ostry 2005: 4), such words cut little ice for many in the developing world who see Doha as a 'market access round' for developed countries, especially in the service sector. For most developing countries the DDA, more than anything, confirms the structured asymmetries of wealth and power in the relationship between them and the North in the post-Uruguay Round era. The inauguration of the WTO was a key fact in the

end of the post-World War II embedded liberal compromise, which had seen international economic liberalisation effectively separated from domestic economic-policy choice (Ruggie 1982). The Uruguay Round saw the development of the WTO, with its dispute-settlement mechanism and the new issues (services, investment and intellectual property), destined to end this separation. In return, the developing countries had, wrongly as it turned out, expected major reform on agriculture from the Uruguay Round. Their markets have become more open to services and the impacts of the intellectual-property agreements, while major advances on agriculture have not materialised.

This outcome should be anything but surprising. The WTO is not a development, but a trade-liberalising, institution. Putting 'development' at the centre of a trade round (rhetorically if not in reality) would require a change of thinking that has not been apparent in the negotiations of 2001–8. For the DDA to be a development round required the majors, essentially the USA and the EU, to recognise that it was only they who could take it forward since they had the power to make concessions of a meaningful nature. But as Bernard Hoekman noted:

> The adjustment burden of new rules will mostly fall on developing countries, as the rules that are likely to emerge will reflect the status quo in industrial countries ('best practice') … If the Doha Development Agenda is to live up to its name, the fact that country priorities and capacities differ enormously will need to be addressed. There are two basic options: shift back to a club approach, or pursue universal membership agreements *that are accompanied with more development provisions.*
>
> (Hoekman 2004: 2, italics added)

Introducing a 'development' component into the trade round brought with it a renewed North–South ideological contest in a way not known since the 1970s. Of course, this asymmetrical relationship between the Northern majors and the South has always been inherent in the negotiation process, but its character has changed. There are shades of the NIEO demands of the 1970s in the objections of many developing-world countries and NGOs activists to this day. *But attitudes towards trade have changed*. In the late 1960s and early 1970s there was a strong structuralist, 'unequal exchange/dependency theory' at the core of many arguments. This is not the case in the early twenty-first century. The overall benefits of trade to the developing world are now widely recognised in a way that they were not during the heyday of calls for an NIEO.

The issue nowadays is not the future of liberal, freer trade but rather a belief that structural power asymmetries actively work against developing countries being able to take the maximum benefit from a liberal trading order. Developing countries all see the benefits of export-oriented economic strategies. The basic problem, increasingly recognised by developing countries, is that many of the first-mover advantages and infant-industry arguments that benefited the industrialised countries in earlier times are not available to them in the twenty-first century (see Chang 2002). This is increasingly a political problem for both the

development industry in general and for taking trade liberalisation forward in the WTO in particular.

A case can be made that the activities of the WTO, and indeed the other international institutions, are, at one level at least, inhibitors of development. Without denying the virtues of open, freer trade, one can argue that the WTO squeezes the 'policy space' necessary for development (see Gallagher 2005). National policy autonomy becomes constrained by global economic and international institutional norms, rules and disciplines that have little regard for the different expectations, requirements and capabilities of developing countries. To the extent that many of the policies that were so important in the development of the modern industrialised countries are now resisted as appropriate for currently developing countries by the international institutions, they effectively take away policy options from the latter countries.

Wade (2005: 82–9) has argued that TRIPS, TRIMS and GATS, using the sanction of market access to developed country markets, can inhibit the ability of developing countries 'carry[ing] through policies that favour the growth and technological upgrading of domestic industries and firms.' In contrast with the history of the now-developed countries (cf. Chang 2002), contemporary development policy (whether called industrial policy or not) is required to complement, and not distort, market forces (Rodrik 2004). While most of today's developing countries have signed on for many of the contemporary disciplines advanced by the international economic institutions (in return for greater market access and institutional reform intended to give them greater voice at the WTO) it has slowly become apparent to developing-country policy elites that this has been at the expense of national policy autonomy.

In effect, the major developed countries have not kept to their side of the bargain. This has both ethical and policy implications for the WTO now that it is embroiled within the broader context of 'development'. A failure to honour commitments established in the Uruguay Round have led to developing-country scepticism about the role of the WTO as an agent for development and the Doha Round as a development round. The DDA is not based on development principles such as the right to some protection as part of a wider industrial/development strategy for developing countries. Rather, the negotiations are based on assumptions of reciprocity stemming more from a theory of club goods than one of public goods predicated on non-rivalry and non-excludability. This is a fundamental element of the legitimacy problem facing the WTO.

Appropriate levels of national protection, at crucial stages in their development, were the prerogative of the now-developed countries. In theory there should be no reason why the same privileges should not be extended to developing countries. In practice, however, there are at least five reasons why they are not:

- There is a stand-off between developed-country economic theory and developing-country understandings of that theory. While orthodox trade theory does not recognise the value of domestic 'development strategies' under globalisation, many developing countries doubt that the economic benefits of trade liberalisation will actually materialise (Gallagher 2005: 7).

- Economic models are oblivious to the political difficulties faced by developing countries offsetting lost tariff revenues with taxation from consumption. In a development context, revenue from tariffs is often both monetarily more significant and with fewer political consequences and practical difficulties than trying to secure taxes from informal economies.
- Considerations of power politics impact on industrialised-country perceptions of the role of countries such as India, China and Brazil. In *economic* terms, these countries may still be considered as developing countries; but they are also major players in global *political* terms. The major trade blocs, especially the USA and Europe, are reluctant to consider them as developing countries for the purposes of negotiations and the granting of any special and differential treatment.
- Ideological positions of the developed countries, especially the USA, and the articulation of the interests of their powerful private-sector actors (see Kwa and Jawara 2003), make it extremely difficult for developing countries to make headway in securing legitimacy for approaches that stray away from a 'convergence/ harmonisation' on international best-practice agendas.
- Getting the strong to live by their own rules is not easy, even if the rules are still largely stacked in their favour. Indeed, democratising decision-making in an institution such as the WTO and holding major players to account could possibly lead to the major players 'abandoning' the institution for other courses of action (Evans 2005: 200–1.) Nothing illustrates this better than the growing attraction to bilateral and regional free-trade arrangements.

The WTO, global public goods and legitimacy

Legitimacy is not merely a 'policy' question, but also a theoretical and institutional one for the WTO as a global actor. The 'legitimacy question' derives in no small part from the change of the trade organisation from being a relatively informal, albeit rules-based agreement amongst contracting parties (GATT) to a formal organisation with greater policy reach and influence (WTO) (see Narlikar 2005). And it is not just developing countries, NGOs and the alter-globalisation movement that are frustrated by the WTO. Strong nationalist objections can be found in the USA and some European countries (see Higgott 2005). Also, key sections of the global business community feel the WTO has become too slow and cumbersome in its principal aim of securing trade liberalisation.

These are essentially political questions that are all too often dressed up in a scientific and 'depoliticised' manner in the literature on global governance and global public goods. It is, however, necessary to distinguish between politics and governance and particularly whether policies are deemed to be 'legitimate' or not. Presently, 'politics' in the public-goods literature is seen largely as the effective and efficient making of public policy, and the enhancement of property rights and the reform and development of institutions are taken to be the key to success (GGI). But the 'rediscovery of institutions' alone is insufficient. To the extent

that they privilege efficiency over accountability they isolate the institutions and their decision-making from the lobbying for interests, which in turn undermines their legitimacy. *The legitimacy issue will be a deal maker or deal breaker in the early twenty-first century*. For a range of both historical and contemporary reasons, 'absolute legitimacy' of the kind available to 'states as policy-makers' is a non-starter for international 'institutions as policy-makers'. Thus second-order strategies need to be adopted. Several are suggested below.

The WTO and 'deliberative democracy'

The WTO operates primarily by the conventions of power politics, delivering coerced decision-making, false consensus and inequitable outcomes. Enhanced deliberative democracy – the development of an 'ideal speech situation' which ensures inclusive, free, rational, symmetrical and non-coercive discussion with no limits on the remit of the discussion – would reduce power asymmetries and help secure a fairer bargaining process than currently exists within the context of multilateral trade negotiations. It may also, of course, render decision-making near impossible

The historical record of GATT and WTO suggests that trade rounds to date have been driven by restricted deliberations of the major powers and issue-specific coalitions, increasingly on a North–South basis. The pattern of negotiation has seen 'a semblance of law-based negotiating in the launch phases of the trade Rounds, but domination and coercion by the powerful western states for most of the rest of the process' (Kapoor 2004: 529). For developing countries, both the psychologically negative impact of Green Room processes and the usually asymmetrical deals that result remain a severe test of commitment to the organisation.

The plea of some WTO analysts and practitioners that some kind of 'consultative board' not dissimilar to the UN Security Council should be created to get out of this impasse does not find much support within the developing world. Nor currently do alternative forms of agenda-setting and decision-making that would imply a change from 'single undertaking' to 'critical mass' decision-making, with appropriate safeguards to enhance justice and fairness of the kind developed by the Warwick Commission (2007), have much support. Notwithstanding their dissatisfaction with the current processes and reflecting the basic weakness of their position, the one thing that WTO decision-making processes have in their favour is that they are, theoretically at least, consensus based. An approach based on weighted preferences for the major trading states would shatter the myth of sovereign equality amongst WTO members and institutionalise the omission of many developing countries from the consultation processes.

Since the Seattle Ministerial of 1999 developing countries have been trying to enhance their deliberative impact in the WTO on a number of fronts, for instance, by building coalitions. This does not mean that inbuilt structural disadvantages have gone. Limited financial and human resources – especially specialised knowledge and specialist non-state actors able to support their interests – continue to work against developing-country participation.

The governing norms and the language of the WTO, emphasising core market values of competition and efficiency, remain unchallenged. Business groups and corporate-sector actors generally have a high degree of access to and influence over the trade-policy community, as illustrated in the effectiveness of the pharmaceutical industry lobby and the Coalition of Service Industries on TRIPS and GATS in the Uruguay Round. On the other hand, most civil-society actors, especially those with a 'development focus', are not regarded as sources of detached 'expert knowledge' on the international trade regime. Rather they are seen as antagonists and activists. Their role in the decision-making processes of the WTO has not been nor indeed is it likely to be normalised in the manner accorded to corporate actors or 'friends' of the liberal trade regime, even during a so-called 'development' round. As a consequence, the decision-making processes of the WTO will remain contested domains of legitimacy.

Other resource disparities inhibit developing-country access to the decision-making process. For example, issues such as rules of origin or phytosanitary arrangements are now so technical that developing-country world-trade officials often do not have the expertise to understand them. Cost is also a salient factor for any developing country in functioning at the optimum level in the WTO.

Despite the new-found power of increasingly influential developing-country players such as India, China and Brazil, there has been little evidence to date that such power has been used to generate a coherent strategy for advancing Southern interests more generally, or generating South–South trade strategies, in the face of a lack of consensus on the part of the USA and the Europeans. Rather, a 'coalition proliferation' (with the creation of the G20, G33, G90 and G110) seems to have been the result. Yet the growth of Southern activity and resistance to Northern-imposed outcomes is a reflection of an increased understanding by the developing countries of their *juridical equality* within the WTO legal framework. Developing countries, if nothing else, have enhanced their ability to offer 'voice' in the negotiating process. Recognition of this is to be found in the growing irritation of the USA and EU at not automatically getting their own way, although the power asymmetries are still heavily weighted in their favour.

Procedural fairness

The long-term legitimacy of the WTO in the eyes of the global rule-takers will not be established until the principle of procedural fairness is more firmly established. The South needs a stronger 'voice' in the WTO (indeed in international economic institutions in general), which should lead to the ability and opportunity to *both*

- formulate and articulate policy; *and*
- have the opportunity to advance such policy (Hirschman 1970).

Some developing countries, especially the larger ones, are getting better at this but their views still do not carry as much weight in the negotiating rooms as those of the major players, especially the USA and the EU. In a consensus-based organi-

sation such as the WTO, in contrast to the IMF and the World Bank, voice is as important as votes.

Generating 'voice' on new ideas is constrained not only by capacity, but also by the residual strength of existing ideas within the core epistemic and political groupings. Liberal-economic trade theory privileges 'abstracted rationality' at the expense of 'contextual rationality' and the embedded political contexts of policy-making (see Brint 1994 and Lindblom 1990). But, for many developing-country policy-makers, contextual rationality is privileged. In policy terms this frequently leads to different policy positions that reinforce North–South divisions.

Even assuming some success by developing countries in shifting the DDA (and trade negotiations in general) towards issues that they are interested in, there is always the danger that the major powers, unable to secure their preferred policy outcomes, will engage in 'forum shifting' to bodies, negotiations and deliberations that exist beyond the WTO – what Susan Sell describes as the 'multi-forum governance game' (2005: 10). For the WTO to avoid perpetual stand-off, or indeed failure of the kind seen in Seattle and Cancun, requires the establishment of principles of procedural fairness and greater accountability.

The gradual learning curve that has seen the self-empowerment of developing countries as negotiators, in the absence of procedural fairness, may prove to be a serious obstacle to collective-action problem-solving in general and the role of Northern-inspired providers of global public goods in particular. In the absence of procedural fairness the temptation by developing countries to thwart the aspirations of the developed countries is only likely to grow. Procedural fairness is a necessary, if not sufficient, condition to guarantee outcome fairness. At the very least decisions taken by real consensus 'enhance the perception of the outcome being fair and balanced' (Albin 2003: 379) and positive *perception* is a vital ingredient in any process of institutional legitimation.

Any consideration of the role of the principal international economic institutions must focus on their role as venues for negotiations and increasingly as venues that ensure that the provision of public goods is underwritten by assumptions of justice and fairness (GGII) as well as effectiveness and efficiency (GGI). This is an issue of politics requiring negotiated settlements and not simply a technical issue of bridging the participation gap (cf. Kaul *et al*. 1999). Nor is it just an issue of how to incorporate new actors into the multilateral spaces (especially civil-society actors) traditionally occupied by states. These are all necessary conditions of enhancing GG II but they are not sufficient conditions.

In theory, GPGs are public and non-excludable. Yet, their irresponsible or selfish use, especially over-consumption or free riding, leads to resentment and resistance. Usually the stronger states are in a position to behave in an irresponsible way as, for example, in the use of environmental resources. The same logic applies to the manner in which the benefits from the international trade regime favour developed and/or powerful states at the expense of poorer and/or weaker ones. Hence it is always the poorer or developing states that look to be 'negative' or opposed to trade liberalisation since it is they that dispute the justice and fairness of a supposed global public good such as a liberal trade

regime. Since GPGs need multilateral cooperation to produce them, collective action is unlikely if resentment and stand-offs prevail. Thus there is a pressing need for the application of principles of fairness (both of outcome *and* process) if GPGs are to provide for the 'equitable utilisation of shared resources' such as those in theory to be found in a universal trade regime. For many developing countries what has been offered in the DDA (even ambitious aid-for-trade packages) appears not to provide benefits sufficient to offset the costs of adjustment that will be required. For many poor countries no deal may be better than a bad deal. In order to avoid developing countries' 'exit' from the negotiations, both procedural and outcome justice are required. *In other words, GGII as well as GGI.*

Institutional rule-makers (from the developed world) tend to privilege GGI while rule-takers (developing-country government officials and civil-society actors) tend to privilege GG II. *Thus the possible difference between success and failure in a negotiation will revolve around the degree to which the principle of justice and fairness underwrites any bargain.* 'Justice as process' is as important for developing-world rule-takers as 'justice as outcome'. But because power asymmetries rather than procedural fairness remain the key to explaining outcomes in WTO negotiations, the WTO is seen by many as a vehicle for the advancement of goods that, rather than being global, serve the interests of the developed world first. This was demonstrated at the 2006 Hong Kong Ministerial where less than rock-solid promises to end agricultural subsidies, and the deferral of any discussion on matters of special and differential treatment until the end of the round, were pushed on to developing-country members in return for their commitment to open their markets to developed-world service providers. Power asymmetries in negotiation processes are damaging those principles that underwrite multilateralism: indivisibility, non-discrimination and diffuse reciprocity.

Governance issues

So what strategies are there for addressing the governance issue in a body like the WTO? One strategy is to continue attempts to allow greater participation by non-governmental actors and increase the capabilities of the developing states in the inter-governmental process by concerted WTO-friendly capacity building. But this route, supported by the reformist camp, is slow and, judged by results, not particularly effective. Moreover, WTO-supported capacity building is unambiguous in its aims. As the Doha Declaration made clear the aim of technical assistance for capacity building was

> designed to assist developing and least-developed countries and low-income countries in transition to adjust to WTO rules and disciplines, implement obligations and exercise the rights of membership, including drawing on the benefits of an open, rules-based multilateral trading system.
>
> (Doha WTO Ministerial 2001: para 38)

A second strategy straddles both reformist and abolitionist camps. This is the increased pursuit of activities parallel to, but separate from, the existing multilateral inter-governmental process. This strategy is an attempt to create a 'new multilateralism' for the twenty-first century, one that changes assumptions of global order and attempts to alter policy outcomes *from below*. The challenge is how to *combine* the legitimate welfare and regulatory roles of states with economic models that continue, more or less, to revolve around liberalised (and progressively globalising) private-sector activity.

Globalist imaginings of governance, encapsulated in attempts to deliver a programme of global public goods of the kind outlined by UNDP and UNIDO, show limited understanding of the need for a multi-dimensional approach to global governance. What is required, at minimum, is a broadening of the discourse to acknowledge the importance of 'justice' and 'procedural fairness' in the successful development of GPGs. If the economic theory and practice of GPGs is not embedded within this wider normative context, and especially in the reformed practice of those intermediate institutional public goods (such as the WTO as a vehicle to facilitate the liberalisation of trade, as opposed to pure public goods such as clean air or fresh water), then discussion of the relationship between trade on the one hand and 'development' on the other will continue to take place in 'parallel universes' (Higgott and Weber 2005).

The next step in the enhancement of GGII should improve our ability to build on, and in some instances consolidate, existing or nascent patterns of legitimacy and *accountability*. There is, as yet, no serious institutionalised system of checks and balances at the global level. And, as we have seen in the recent past, those institutional constraints that do exist have little purchase on the behaviour of major powers should they choose to ignore them. Thus the problems we have to address if we are to enhance GGII are:

- How to disaggregate the notions of democracy and accountability. That is, can we identify some principles of accountability that do not necessarily emanate from an essentially liberal, western theory of democracy?
- How to separate the notion of legitimacy from accountability. Is it possible to think about global accountability when there is no global democracy?

Being 'accountable' assumes the presence of 'norms of legitimacy', but this is not the same as being democratic. In much contemporary analysis of global governance democracy and accountability have, all too often and all too wrongly, been conflated. In the context of a given state, direct democracy, with full participation, is held up as the ideal type of representative government (see Dahl 1999). Global governance is never going to approximate this ideal-type. We thus need to think of a situation that, while sub-optimal to this ideal-type, nevertheless makes provision for a meaningful degree of accountability.

The rhetoric of illegitimacy has become increasingly powerful in the hands of the anti-globalisation movements and in issue-specific contexts such as multilateral trade negotiations. In many ways the international institutions are indeed

accountable, and often more accountable than many of the NGOs that criticise them. But they are not accountable in a way that satisfies those who equate legitimacy with democratic theory underwritten by the domestic analogy.

For GGII to be meaningful – that is, supportive of GGI but also acceptable to a large group of principal actors in global politics – it has to understand the fundamental differences between a currently unrealisable conception of cosmopolitan global democratic governance on the one hand (the globalised domestic analogy) and systems of accountability that may not be fully democratic in the domestic sense, but that can have real political purchase in global public policy on the other. Claims to 'legitimacy', or rather the absence of it, in global public policy are frequently a euphemism for the rejection by the weaker actors of the asymmetrical structure of power in the contemporary global order. This is an unfortunate political reality. Exercises to enhance the accountability of global governmental actors will do nothing to alter fundamentally the structural nature of global power in the short term, although they may do so in the longer run.

But, importantly, what they may do is make us better at resisting abuses of power (Grant and Keohane 2005), especially if the 'legalisation' of an institution gives the traditionally smaller, weaker powers a stronger hand to play. In this regard, it is not surprising, as Stephen Krasner (1985) long ago pointed out, that developing countries have a strong preference for formalised, rule-governed processes of decision-making within institutions that have a specifically defined mandate underwritten by judicial instruments, rather than the informal and flexible approaches favoured by developed countries. Where judicial instruments are not available other calculations must be brought to the fore, especially 'global public opinion' as articulated by increasingly influential non-state actors in civil society.

This makes our understanding of accountability increasingly complex and variegated, but no less important for that. For too long, and drawing on the domestic analogy, accountability has been equated with *democratic* accountability, which in turn has been equated with widening participation. In order to take GGII forward, we should not dream of instant and unattainable global democracy but try

> to figure out how to limit abuses of power in a world with a wide variety of power-wielders and without a centralized government. If we focus on the conditions for the operation of a variety of accountability mechanisms, rather than on pure democratic accountability, we will see opportunities for feasible actions to improve accountability.
>
> (Grant and Keohane 2005: 41)

Three things can improve accountability:

- Improved standards and the acceptance of norms of behaviour that are considered fair and just. This is difficult. But there are signs of – if not a new consensus on the evolution of democratic norms, at least the growing unacceptability of entrenched and exacerbating patterns of inequality in the global economic order.

- Enhanced information provision and transparency. This is emerging strongly. Modern means of communication make information, and hence transparency, more likely to be an important political tool than at any time in history (see Florini 2003). We are at the beginning not the end of this process.
- The ability to apply sanctions in an issue-specific context where and when necessary. This is difficult, as it has implications for sovereignty. But the WTO dispute-settlement mechanism is an example of how this can happen.

Enhancing our capabilities in these areas should be at the core of a reformist agenda to enhance GGII. This is not abstract political theorising. If successful, albeit gradually enhanced, such activities will eventually cast massive policy shadows. Without them the longer term legitimacy of bodies such as the WTO will come under greater challenge than is the case today.

Conclusion

It has been the argument of this chapter that the unsatisfactory and contested nature of the decision-making process, as much as substantive trade issues at dispute amongst the players, is what challenges the legitimacy of the WTO as a sustainable component of emerging twenty-first-century global economic governance. Notwithstanding genuine efforts on the part of the WTO to address the issue, especially under the direction of Pascal Lamy, there is a democratic deficit. Most of those affected by WTO rules have little input into the process and, as has been argued here, current institutional structures enhance rather than mitigate this situation. This problem cannot be solved by pietistic democratic yearnings of a cosmopolitan variety. This chapter has focused on WTO practices as much as its policies and offered a couple of 'middle-range' suggestions of a reformist nature that might make a positive difference. For many, as illustrated by the confused discussion of the relationship between trade liberalisation and 'development', WTO policies are as problematic as its practices, for both the developed and the developing world. 'Economic nationalists' in both the USA and Europe take increasing exception to the reach of the dispute-settlement mechanism. For developing countries, the WTO remit is now deemed far too intrusive, especially to the extent that TRIPs, TRIMS and GATS are thought to erode 'development policy space'.

This leaves what we might call the 'Doha Dilemma'. Little or no advance in the new areas will leave the developed countries dissatisfied and turning even more frequently to alternative options, especially of a bilateral and regional preferential nature; too much advance into new areas will increase the likelihood that developing countries will walk away. For the 'development element' of the Doha Round to work, and for the developing countries to stay the course, a more multi-speed process in the implementation of WTO disciplines is required. For the dilemma to be resolved there needs to be a weakening, if not a *de jure* then at least a *de facto* weakening, of the single-undertaking approach to agenda-setting and decision-making. Were this to happen, a further dilemma would come into being. Clearly, a multi-speed process would make it easier for the developing countries to meet

WTO obligations and for the developed countries to secure progress in several areas important to them. But for this to occur, and the organisational integrity of the WTO to be maintained, the competing demands of both groups need to be met. This, in turn, means reconciling the two conceptions of governance (GGI and GGII) advanced in this chapter. A theoretical way to do this, by the implementation of limited 'critical-mass' approach to decision-making, is outlined in *The Multilateral Trade System: Which Way Forward* (Warwick Commission 2007). But for this to be taken forward requires political will on the part of the major players in the WTO and this is currently lacking in the early twenty-first century. Attempts to resolve this dilemma cannot be delayed indefinitely.

Notes

1 These issues, and recommendations for reform, are addressed by the Warwick Commission (2007).
2 Still unfinished at the time of completion of this chapter.

5 Global public policy, transnational policy communities and the shaping of governance

Diane Stone

Introduction

Decisions about developing countries are made increasingly in the context of global public policy. The evolution of this process has important implications for the way these countries may influence or mediate the policy process. Because global public policy is made by transnational policy communities, increasingly complex and ambiguous in their organisation and operation and with considerable technocratic autonomy, the ability of the countries to become important players in this process is potentially diminished.

The concept of 'global public policy' is not well established or indeed accepted. Accordingly, it is discussed in this chapter: what is global public policy, where is it enacted and who executes this policy? The second section sets out to describe and delimit the discussion to transnational policy spaces where global public policies occur. These spaces are multiple in character and variety.

The third section outlines the conventional policy cycle heuristic and conceptually stretches it to the global and regional levels. This use of the policy cycle concept is employed as an analytical device (not as a portrayal of decision-making realities). This is done to reveal the higher degree of pluralisation of actors as well as the multiple and contested modes of authority than is usually the case at national levels of policy-making.

The fourth section asks: who is involved in the delivery of global public policy? The discussion addresses the roles of policy entrepreneurs, networks and leadership. The activities of various transnational policy communities reveal the dual dynamics of new public spaces carved out in tandem with privatising modes of decision-making. In other words, 'globalization makes such publicness more problematic … reshaping multi-level governance around various "new architectures" that will recreate the "public" either at a higher level or through a more complex network structure' (Cerny 2006: 105).

Some public-policy and public-administration scholars have addressed global dynamics of policy-making (*inter alia*, Evans 2004; Huddleston 2000; Soroos 1991). First, there are analyses of the 'internationalisation of public management' (McCourt and Minogue 2001; Kettl 2005). Second, there are sectoral or issue-specific studies of elements of global public policy focusing on trade, environmental issues and

health. Third, over the past decade there has been a raft of debate and discussion of the policies of the Bretton Woods institutions, the World Trade Organization (WTO) and United Nations (UN) agencies, amongst others, and their roles in the delivery of global public goods. Even so, accounts of globalised policy processes – distinct from national processes – are rare.

Rather than addressing how development organisations attempt to implement and enforce governance agendas within developing countries by placing specific pre-conditions on assistance or by demanding evidence of progress towards good governance as a requirement for access to development programmes, this chapter goes above the nation-state. The focus is on how global policy processes reflect restructured policy-making milieus and include or exclude actors via a 'privatisation' of global governance. Addressing the governance agendas of international organisations is insufficient to comprehend the scale and diversity of global governance structures and practices. The appropriation of policy-making by policy networks and the increasing complexity and autonomy of these institutions potentially make it difficult, particularly for developing countries, to become fully embedded in these policy-making processes.

Public spheres and private policy

If global public policy is distinct and to some extent de-linked from national processes of policy-making, the venues in which such policy action occurs need not be subservient to sovereign structures of decision-making. This is not to suggest a divorce between global and national policy processes. However, national public institutions no longer serve as the sole organising centre for policy. Instead, it is necessary to 'look at the restructuring of the playing field itself' (Cerny 2006: 97); that is, the historical and structural changes to the 'state' and 'sovereignty'.

The merging and the blurring of the commercial and the public domains is apparent in the global domain in the form of 'soft law', private regimes, self-regulation and public–private partnerships. These developments push out new public spaces beyond the inter-governmental community of sovereign states. That is, a *global agora* of multiple publics and plural institutions (Stone 2008; also Nowotny *et al*. 2001: 209). The *global agora* is a social and political space – generated by globalisation – rather than a physical place. Indeed some have adopted the term to speak of the *agora* as an electronic or virtual global commons (Arthurs 2001: 97; Alexander and Pal 1998). It is a domain of relative disorder and uncertainty where institutions are underdeveloped and political authority dispersed through multiplying institutions and networks.

In this chapter, the global agora is presented as normatively neutral. This is in contrast to a body of literature that advocates the need to democratise global governance (for example, Held and Koenig-Archibugi 2004). Without discounting the value of such advocacy, the call for global accountabilities puts the (normative) cart before the (conceptual) horse. There is a tendency to advocate what should be, rather than analysing what is. The realm where legitimacy questions and accountability issues are to be raised remains poorly conceptualised. Instead,

we operate with a series of vague metaphors that attempt to capture the shape and character of global public policy:

- the 'transnational public sphere' (Nanz and Steffek 2004) or 'global public sphere' (Dryzek 1999);
- the return of the public domain (Drache 2001);
- a 'global policy arena' (World Bank 2008b);
- a 'playing field' of 'new levels and spaces' (Cerny 2006);
- an 'acephalous … modern global polity' (Drori *et al*. 2006: 14);
- and more poetically, 'a darkling plain' (Huddleston 2000).

Our vocabulary of 'spheres' and 'spaces' hints at the polity like arrangements that have been created in the absence of formal power-holding institutions of global governance.

Some writers argue that the realisation of a democratic global order 'ultimately depends on the creation of an appropriate public sphere' (Nanz and Steffek 2004: 315). Yet, the emphasis is on what is 'appropriate' (read: deliberative) and the presumed progressive potential of global civil society in forging this sphere. The idea of a 'global agora' as different sets of transnational spaces and policy processes makes no presumptions about the communicative, progressive or deliberative character of institutional and individual interactions. The dynamics for exclusion, seclusion and division are just as likely. That is, a wider array of political relationships of order from liberal democracy through to coercive arrangements of strong authoritarianism, as well as to patterns of disorder, randomness and an absence of rational imposition of planning. The global agora may become an accessible and emancipatory domain for plural expressions of policy development. But it may well remain characterised primarily by lack of participation and rule by elites. Policy activity is opaque and as likely to take place inside private associations among non-state actors as in inter-governmental conferences. Accordingly, it is necessary first to look at processes of rule-making and institution-building in transnational spaces (Pattberg 2007: 4).

Global public policy

In the last decade, there has been increasing use of the term 'global public policy'. Books have emerged under this title (Reinicke 1998) or 'global policy studies' (Soroos 1991) as well as in the sub-field of 'global social policy' (Deacon 2007). Courses in development studies or political science have been launched with this label. Nevertheless, the term remains under-specified and used without explanation or definition by many scholars (*inter alia*, Held and Koenig-Archibugi 2004; True 2003).

Other terms and concepts, such as 'global governance' or 'governing without government' are better established in the lexicon. 'Global policy' is equated, by some, with the financing and delivery of global public goods (Kaul *et al*. 2003). 'Global public–private partnerships' or the 'global programs' sponsored by the

World Bank (World Bank Operations Evaluation Department 2004) serve as a synonym. The term 'transnational constitutionalism' is associated by some with constitutional processes of the European Union (Arthurs 2001: 107).

Classical political science, comparative public policy and public administration tend to focus on public policy processes occuring *inside* the nation-state (Wimmer and Glick Schiller 2002; Baltodano 1997: 618). Until recently, there has been little conceptual development of policy practices and administrative structures that transcend the state. Increasingly, scholars and practitioners alike are arguing that new forms of authority are emerging through global and regional policy processes that exist alongside nation-state processes. Governance can be informal and emerge from strategic interactions and partnerships of national and international bureaucracies with non-state actors in the marketplace and civil society (Reinicke *et al*. 2000; Pattberg 2007). However, economic globalisation and regional integration are proceeding at a much faster pace than processes of global government. One outcome of this disjuncture is that the power of the nation-states has been reduced or reconfigured without a corresponding development of international institutional co-operation. This is one of the major causes of the deficiency of global public goods; examples are inadequate regulation of financial flows, environmental protection and intellectual property safeguards.

Nevertheless, rule-making and policy practice are moving fast. Multi-level polycentric forms of public policy in which a plethora of global institutions and networks negotiate within and between international agreements and private regimes and transfer best practice have emerged as pragmatic responses in the absence of international governance. Whether proactively or reluctantly, governments are devolving aspects of public policy as well as delegating authority. This is a double devolution; first, to domains beyond the nation-state in global and regional domains; and second, a devolution of authority to private networks and non-state actors.

Another symptom of 'global public policy' is how it has become a field of teaching. Graduate programmes in 'global public policy' provide one indicator of attempts to conceptualise, and operationalise for educational purposes, this field. The graduate degree programmes in Global Public Policy at Potsdam University (Potsdam Center for Policy and Management 2007), the University of British Columbia's MA in Global Policy and the Masters in Public Policy at Central European University (Department of Public Policy, Central European University 2008) are good examples. A new multi-university 'Global MPA' captures the trend towards internationalised public administration as it defines the role of national and international civil servants in the following terms: they 'adapt national policies, participate in international policy processes, analyse and build international network capacities, ensure that policy instruments function effectively in horizontal co-operative settings, implement policy and respect international agreements in national policies' (Global MPA Consortium 2004).

In developing and transition countries, international organisations are encouraging the establishment of new graduate programmes. The World Bank has been active in promoting graduate education in economics, albeit with recent

emphasis on the parallel need for 'good governance' (Bourguignon *et al*. 2007). UNDP and the EU have been advocating public administration and public policy programmes that can deal with problems of transition, development and globalisation (Verheijen and Connaughton 2003). Many other examples could be given. The point is that universities are adapting to their changing environment to provide education and training for young professionals, often from other countries, who will need the skills and knowledge to traverse global policy processes.

Global policy processes

The global agora is expanding and diversifying. The state is not necessarily retreating or in decline (Huddleston 2000). It is re-configuring with the dynamics of globalisation and remains an important or central agent in the agora. Yet, the constitution of the agora – its values, discourses, symbols, norms, institutions and practices (Arthurs 2001: 89) – are also created by other non-state actors that have acquired or appropriated public authority when seeking to respond either unilaterally or in partnership to global policy problems. Global policy processes have emerged with governments, international organisations and a variety of non-state actors responding to three types of policy problems (Soroos 1991):

- 'transboundary problems' of cross-border movement, money laundering, pollution or drug trafficking (see for instance, Raab and Milward 2003);
- 'common property problems' regarding oceans, Antarctica, the atmosphere. It is to these kinds of problems that much of the global public goods literature is directed;
- 'simultaneous problems' of nations experiencing similar challenges in areas of education, health, welfare, urbanisation and population growth.

Some responses to these problems have led to new forms of 'soft' authority or 'soft law' (Arthurs 2001) which complement the traditional 'hard' or formal authority of states and international organisations. 'Soft' authority is seen in the emergence of private regimes and transnational policy communities. Examples include developments such as the certification processes of the Forestry Stewardship Council (Pattberg 2007) or the power of bond-rating agencies that establish creditworthiness of countries and corporations (Sinclair 2005).

Adapting traditional concepts from policy studies highlights some of the difficulties in analytically capturing the idea of global public policy. One advantage of focusing on policy *processes* is that it brings into sight the role of private actors and modes of self-regulation (Porter and Ronit 2006). The common heuristic for conceptualising the policy cycle is to divide it into four stages:

- problem definition and agenda setting;
- formal decision-making;
- policy implementation;
- monitoring and evaluation.

These traditional elements of the 'policy cycle', as understood in domestic contexts, are conceptually stretched to the global context.[1] This is to highlight the degree and depth of non-state policy action.

Problem definition and agenda-setting

There is no global decision-making process, at least not in the sense understood in policy studies where there is an authoritative, sovereign decision-maker. Consequently, at the global level, the 'ownership' of public problems is often characterised by a policy vacuum. Which countries or what institutions have responsibility for dealing with issues is not automatically apparent and if public goods are insufficient, who takes responsibility for their financing and provision is not self-evident. Agenda-setting is more contested, externalised beyond the nation-state (Huddleston 2000: 672) and open to the input and disruption of a variety of political agents.

Some see this diversity of interests and institutions as a sign of a healthy and vibrant global civil society (Keck and Sikkink 1998). That is, indicative of a pluralistic set of political pressures and countervailing power at the global level where the anti- and alter-globalisation movements and NGOs voice their cause and claims in the same domain as multi-national companies, the media, states and international organisations. However, it also means that agenda-setting is characterised by a cacophonic set of demands where it is unclear who, or what institution, has the authority to mediate. There are not only significant problems of negotiation and compromise, but there is also uncertainty concerning the forums where it is appropriate to advance issues. This has consequences for policy co-ordination and policy coherence alongside continuing conflict and power battles of who gets to set global agendas and decide what the important issues will be.

Formal decision-making and policy transfer

There is no global forum for global decision-making such as a 'world parliament', 'earth authority' or 'global state'. As noted earlier, the global agora is acephalous, without a sovereign head. Authority and policy responsibilities are disaggregated and dispersed rather than vertically organised in the hierarchies associated with public-sector bureaucracies. However, international commissions such as those headed by Brandt, Palme and Brundtland function as venues for the official discussion of global public policies (Thakur *et al*. 2005). Yet, their authority to impose decisions is negligible. When a problem is recognised by nations, the conventional policy tools available are international treaties and conventions. Their effectiveness is problematically reliant on compliance and good international citizenship, and founded upon an implicit assumption that states will act 'rationally', recognising that collective action is in long-term interests.

International organisations are usually seen as responsible for the transnational dimensions of public policy and decision-making, as they have the scope and delegated powers to deal with specified common property and transboundary

problems. Yet, the organisations are restricted by their charters to limited domains of responsibilities and, generally, do not have extensive resources and staffing. There exist serious unresolved co-ordination issues and overlapping responsibilities, which can lead to 'turf battles' where authority is contested. In the absence of enforcement capabilities and use of sanctions, non-compliance remains high.

Nevertheless, international organisations do develop policies to deliver global public goods. For this purpose, the population of international organisations has generated a complicated architecture of institutions, laws and instruments. The World Bank provides a good example of grant making to a) encourage innovation, b) catalyse partnerships, and c) broaden the scope of Bank services in the global policy arena. Through just one of its departments – the Development Grant Facility – the World Bank funds programmes in areas such as invasive species, health research and global gas-flaring reduction (World Bank Operations Evaluation Department 2004).

The Bank examples are only a snapshot of considerably more diverse activity of public policy being 'spun-off' to semi-autonomous networks and partnerships. Business also delivers global programmes: for example the Global Road Safety Partnership and the Global Business Coalition on HIV/AIDS. These global programmes are issue specific, initiated through a multiplicity of public and private venues rather than a single executive authority.

A further difference in the policy process under globalisation is that 'policy transfer' – the process whereby knowledge about policies, administrative arrangements or institutions in one place is used across time or space in the development of policy elsewhere (Evans 2004) – is on the increase. Some governments and international organisations are proactive in promoting cross-border policy harmonisation (especially in regional arrangements) or in exporting policy lessons. The chapters in Part Three of this volume ('Transplanting and Defining the Governance Model') reflect attempts at normative transfers of 'good governance' principles. Likewise, official advocacy of privatisation techniques, freedom of information laws, gender mainstreaming (True 2003) and the OECD's guidelines on budgetary best practices are also examples of policy transfer.

Policy implementation and international co-ordination

International organisations generally lack both the authority and the means to enforce policy compliance. On the whole, implementation is dependent on international co-operation and states behaving as responsible 'international citizens' to keep their commitments as well as educating electorates and convincing them of the real impact of global problems on local communities.

Nevertheless, on issues ranging from organised crime and terrorism to human rights, the environment, finance and trade, government officials are exchanging information, co-ordinating policies, enforcing laws and regulating markets through increasingly elaborate informal intergovernmental channels. Public policy is enacted in the decentralised (and less-visible) activity of judges, regulators and legislators working with foreign counterparts on specific issues (Slaughter 2004).

This is horizontal intergovernmental networking on transboundary problems in quite technical and issue-specific fields. For instance, transnational policy problems have created expert bodies like the International Association of Insurance Supervisors, the Basle Committee[2] and the International Network on Environmental Compliance and Enforcement for functional co-ordination and policy co-operation.

New modes of semi-public regulation and informal authority structures are also being created to address global co-ordination problems. 'Global public-policy networks' are of a more mixed character than the 'intergovernmental networks' identified above. They are composed of business, NGOs and other civil-society actors, governments and international organisations. Examples include the Global Water Partnership and the Global Alliance for Vaccines and Immunization, which has significant support from the Gates Foundation. Actors build consensus, pool their authority, engage in collective decision-making, share policy responsibilities and programme funding. The norms, working practices and standards that they establish represent 'soft' authority. These 'global public-policy networks' (sometimes called 'transnational public–private partnerships') are quasi-public or semi-private.

They can be contrasted with private regimes. For instance, bond-rating agencies (Sinclair 2005), the Coalition for Environmentally Responsible Economies (Pattberg 2007) and the International Organization for Standardization (ISO) are different types of private regimes that perform global roles of accreditation and standard-setting (International Organization for Standardization 2008). Unlike firms that are contracted to implement policy at national level, these private regimes also make policy. They are not answerable to a public-sector agency.

Transnational monitoring and evaluation

Reflection on success and failure potentially promotes efficiency, innovation and learning in policy. At the national level, evaluation is usually undertaken 'in-house' by national bureaucracies, commissions of inquiry or audit agencies. In global spheres, evaluation comes from various sources. The international financial institutions have an in-house capacity for research and evaluation that bolsters their sovereignty challenging policies but this capacity is very limited.

Sometimes evaluation is contracted out to private-sector experts and advisers. Unsolicited advice and evaluation comes from NGOs and social movements. The sheer volume of knowledge, expertise and advice cannot all be incorporated and potentially creates incoherence, conflict and gridlock. There is a need for translators and interpreters of analysis, and for 'knowledge-management' systems. Such experts who edit and vouch for the credibility of information and analysis acquire power and potentially become 'gate keepers' in determining what meets international standards and best practice. Rather than operating independently, they are often to be found in transnational networks of think tanks, consultants, university policy centres, professional bodies and consultancy firms.

In the interfaces of multilateral initiative and global public–private partnership,

the creators and distributors of policy knowledge – scientific theories, concepts and models, data sets and statistics, policy analysis and argumentation – are central players in the formulation, justification, legitimation, monitoring and evaluation of policy. In the weak institutional context of the global agora, these policy actors are arguably more influential in shaping the parameters of policy-making, defining problems and specifying what constitutes 'global public goods' than they are within the confines of the nation-state.

Order and chaos in global policy processes

The policy cycle heuristic depicts a linear model of policy moving from one stage to the next. In reality, policy-making is messy and accidental, thrown off-course by crises and corruption. This is apparent at national levels, but even more so beyond the authority structures of 'sovereign' nation-states. The absence of, or constantly contested, authority structures within the global agora mean far greater time and effort is also spent convening, debating and negotiating in these arenas. For instance, the 2005 World Bank–Civil Society Global Policy Forum on PRSPs was 'the first time that the World Bank has convened such a multi-stakeholder set of actors including Southern CSOs, government officials, parliamentarians, and Bank Executive Directors, to discuss Bank–civil society relations at the global level' (World Bank 2005h). Venues such as these are needed to promote compliance and build consensus rather than exert enforcement (Porter and Ronit 2006: 57)

Within public-sector inter-governmental organisations there are conscious efforts or mandated requirements, notwithstanding the slow or inadequate pace, to include stakeholders or client countries. Within the more informal networks and private regimes such requirements may not be apparent. Developing-country actors are confronted by vast differences in policy style, structure, institutional set-up, powers and resources of global-policy arrangements and regulatory frameworks. There is no consistent pattern of global-policy processes. To the contrary, the bewildering array of public action is complicated by the often semi-private composition and, sometimes, semi-permanent standing of these arrangements.

This disjointed pattern of policy processes is enhanced by the 'new public management' with its ethos of contracting out, 'freeing' managers and market incentivisation (Kettl 2005). However, where this managerial paradigm for the public sphere focuses on devolution to sub-national units of governance, analysis has missed the equally apparent devolution to supra-national and intergovernmental models of governance. Consequently, it is not necessarily the case that the public domain is under threat. Instead it is 'state-ness' that is under stress (Drache 2001: 40). As a corollary, public-ness is expanding as the global agora takes shape.

The forces of globalisation have complicated and contradicted traditional state-guided hierarchical structures of policy, regulation, participation and protest. Public policy in the global agora is characterised by

> the coexistence and multilayered interaction of not just national states and traditional international institutions, but also various regimes and governance

> institutions, transnational linkages and networks, local and regional institutions (whether sub-national/regional like cities or development zones, or international/regional like free trade areas and the European Union), private regimes and webs of governance.
>
> (Cerny 2006: 105)

State, civil-society and market actors are mutually imbricated in these webs of policy practice.

Transnational policy communities

Scholarly investigation of those who execute or implement global public policies is underdeveloped. Scholarship has focused primarily on institutions of global governance. Recently, attention is being paid to individual agents of policy-making with various attempts to get inside the 'black box' of international organisations (Xu and Weller 2004). 'More specifically, the staff of certain international organizations have a substantial degree of discretion in formulating and implementing policies, and thus should be regarded as distinct actors in global governance' (Held and Koenig-Archibugi 2004: 128). They have been variously described as 'international civil servants' (Weiss 1982); or 'supranational bureaucrats' (Held and Koenig Archibugi 2004: 128).

It is useful to disaggregate these actors into three general types. As a short-hand for the three types, the umbrella term 'transnational policy community' will be used. They are the carriers of global policy processes, involved in the process of institutionalisation and diffusion of knowledge and policy.

First, and readily identifiable, is the internationalisation of public-sector officials. These are individuals who operate in 'transnational executive networks'. Slaughter (2004: 19) argues that the state is not disappearing but that it is becoming disaggregated and penetrated by horizontal networks existing between high-level officials directly responsive to the national political process – the ministerial level – as well as between lower level national regulators. Judges, legislators or regulators who derive their authority from their positions within the state operate increasingly through transnational networks that are intergovernmental in character .

Second, international civil servants are a well-recognised category of public officials. The conventional paradigm of international civil service includes impartiality, objectivity and international loyalty rather than national particularism (Weiss 1982: 288–92). The reality of international administration has been, and remains, more complex, where national interests continue to be pursued inside international organisations. International civil servants are employed by an international organisation to staff its secretariat and institute operations. They are not state delegates. However, when they are the subject of study, they are frequently treated as a collective entity with a unified face. In international organisations, civil servants have considerable capacity to shape (or delay) policies due to their expertise, routines and positions of power (Xu and Weller 2004).

Third, the notion of transnational policy professionals is one that is less well

appreciated. It is a diverse community of consultants, foundation officers, business leaders, scientific experts, think-tank pundits and NGO executives who are growing in number, policy reach and professionalism. Their status as either public or private agents is not always clear cut. Private consultants are contracted by public bodies, and private experts are co-opted into official advisory bodies. Rather than acting individually, they are usually to be found in some kind of network or association that may well be in receipt of various forms of public support or patronage.

All three categories of actors interact in varying degree with each other to facilitate multilateral co-operation and the delivery of global public goods. It is increasingly evident to see individuals building careers across all three categories. Their sources of power and influence vary. In general, however, they hold power as a result of either their official position, their control of information and other organisational resources, their technical expertise and/or epistemic authority, or their often lengthy international experience as career officials and consultants.

Rather than in the orbit solely of formal organisations – such as government agencies or international institutions – transnational policy actors weave around overlapping networks, private regimes and multilateral partnerships. The official 'transnational executive networks' (TENs) and the tri-sectoral 'global public-policy networks' outlined earlier represent more official domains of policy development. These networks are complemented by a range of more informal arrangements such as 'transnational advocacy networks' (TANs) accommodating a range of non-governmental organisations (NGOs) and activists.

TANs are bound together by shared values or 'principled beliefs' and a shared discourse where the dominant modality is information exchange. They are called advocacy networks because 'advocates plead the causes of others or defend a cause or proposition' (Keck and Sikkink 1998: 8). TANs usually have a strong normative basis in seeking to shape the climate of public debate and are usually more prominent in agenda-setting phases of the policy cycle. They are not well integrated into policy-making and tend to operate more like pressure groups. For instance, business-related networks such as the Transatlantic Business Dialogue (TABD) have an advocacy orientation.[3] But the TAN concept has been associated more with a myriad of networks working on issues such as 'conflict diamonds', land mines, female genital mutilation and international election monitoring.

Other 'knowledge networks' and 'epistemic communities' give discursive, intellectual and scientific structure to the global agora. Compared to the stronger normative basis and advocacy orientation of TANs, epistemic communities are 'scientific'. They share common notions of validity based on inter-subjective, internally defined criteria for validating knowledge which galvanise members of a community towards a common policy enterprise. They seek privileged access to decision-making fora on the basis of their expertise and scholarly knowledge. Examples include the expert and scientific community that formed a consensus on climate warming, or the community of health professionals and medical specialists that use scientific research as the basis of policy action for tobacco control. However, scientific expertise can also be used for ideological purposes

of 'paradigm maintenance' and the normalisation of dominant discourses of power (Bull *et al*. 2004; Sinclair 2005).

The different varieties of networks that intersect and help compose public spaces can be a force for democratisation by creating a venue for representation of 'stakeholder' interests, a means for wider participation in modes of global governance and a venue for societal voices. In short, networks are 'gateways'. However, these same networks can also be exclusive, elitist and closed to deliberative decision-making. For instance, the discourse and techno-scientific language as well as professional credentials of those within networks can be a form of 'gate keeping'. This is especially the case in policy networks that operate on the basis of specialised technical knowledge.

The barriers to participation in policy networks are not restricted to expert credentials or conformity to the norms or ideology of a private regime. Participation in the myriad of transnational regulatory 'coalitions' or 'policy alliances' is highly resource intensive. Accessing global public-policy networks requires time, commitment and funds. Many developing countries, and most ordinary citizens, do not have sufficient resources to devote to national policy deliberations. When developing countries are stretched significantly to deliver adequate representation in official venues, such as WTO negotiations or treaty discussions, effective strategies for engaging with the more informal global policy processes may remain elusive.

The rapid growth of transnational policy networks and private regimes poses pressing questions for the normative theorist once the terminology is unpacked. Phrases such as 'global public–private partnership' or 'global public goods' beg the question: who is the global public? It is a difficult question, particularly as it invokes notions of citizenship, rights and responsibilities in contrast to the preferred term of 'stakeholder' that is often deployed by international bureaucracies. Accordingly, it is more appropriate to speak in limited terms of 'global policy' or 'global programme' when these supra-national and (semi-) public transnational authority structures and policy processes are closed from the public or the involvement of nationally constituted citizens. Instead, the key actors are the managers, experts and officials drawn from 'transnational policy communities'.

Transnational policy communities

Global policy processes necessitate new forms of leadership and public management in the global agora. Policy-making and administration of a global nature require an understanding of different decision-making milieus as well as greater cross-cultural sensitivity and different behaviour on the part of policy actors (Huddleston 2000: 666). It is evident that this role is not limited to diplomats but includes more diverse 'transnational policy communities'. Collectively, they need to function in several languages, comprehend the legal and political context of many different policy venues (for example, the EU, neighbouring countries, WTO) and master different modes of communication and policy deliberation.

The geographical dispersion of international civil servants means that they

meet irregularly, are highly reliant on information technology and travel all the time. Sometimes, this professional milieu contributes to a globalised identity and outlook. In other words, the values guiding the behaviour of bureaucrats are increasingly shaped by the imperatives of the global economy and constraints on governmental policy (Baltodano 1997: 625; Krause Hansen *et al*. 2002: 109).

Comparing transnational managers to traditional bureaucrats, the hybrid character of the former suggests that they could be more difficult to control. This is largely due to their office being more privatised or less public. Their employing institutions tend to behave like regulated organisations rather than extensions of administrative agencies under legislative control. Hybrid entities – given their private, informal and 'delegated authority' status – are also intrinsically less responsive to the political preferences of their political masters and publics. Moreover, some networks are temporary and can be easily unpacked and re-assembled into different entities. This makes enforcing accountability difficult. It is more than simply an issue of bureaucratic control as networked policy communities imply that public authority has been semi-privatised.

The requirements of a transnational network executive or officer of a philanthropic foundation (such as Gates, Ford or Aga Khan) may require management skills and bureaucratic knowledge that differ substantially from counterparts in national or local governments. Consequently, the types of graduate programmes referred to earlier may well increase as pressures grow for innovation and creativity in how national leaders as well as non-state executives project their organisational and community interests in the fluid and fast-moving global agora. Not only do countries need to rethink civil-service training in order to fully and effectively negotiate global policy processes, so too the citizenry needs to consider how these transnational policy communities are subject to democratic accountability.

Conclusion

While states remain important mediators of globalisation, and national difference and diversity will persist, a global agora is nevertheless taking shape. With it come global policy processes evolving around the gradual institutionalisation of different sets of networks, global public–private partnerships and private regimes.

The focus of this chapter has been on actors and on processes rather than formal institutions, in large part because the global agora remains weakly institutionalised. The global agora is a public space of governance, although it is one where authority is more diffuse, decision-making is dispersed and sovereignty muddled. Governance of the global agora represents a new and additional domain for the communities and policy elites of developing countries.

The agora has also been portrayed primarily in its network character, managed by business and policy elites who are strongly connected with but also by-pass national and inter-governmental policy-making processes. Networks, partnerships, alliances and private regimes set in motion a structural dynamic that both excludes and opens up policy-making. Policy networks are a flatter and more horizontal structure (compared to public-sector hierarchies) that are porous to participation

of private and third-sector actors. This is especially the case with TANs, many of which have championed pressing issues of development from a basis in civil society. Other kinds of policy networks such as global public-policy networks and private regimes privatise decision-making. Their non-state character may invite perception of them as private or third-sector entities, but these arrangements are best considered as governance structures.

Due to their issue-specific focus on discrete technical matters, such as the Forestry Stewardship Council's principles on indigenous people's rights or the Global Water Partnership's criteria of 'good practice' on integrated water-resources management, such arrangements often have a strong technocratic character. Inclusion in decision-making processes is often dependent on expertise and competence in the specialised language of the policy community. Policy debate is not taken out of the public domain but it is cordoned off from those not deemed to be so-called 'stakeholders' or 'experts'. Governance becomes a 'technocratic fix' rather than a contested political process of rule-making. Governance also becomes less of a public affair and more so administered by transnational networks and private regimes. In this environment, the prospect to influence or mediate global policy processes is critically dependent on a sophisticated technocratic capacity to navigate an increasingly complex milieu of non-state actors operating unilaterally or in public–private partnerships. For developing countries and their policy elites, who already find it difficult to secure access and voice within inter-governmental organisations, the prospects for mapping, strategising and then intervening into transnational policy networks presents a formidable task.

Acknowledgements

Production of this chapter has been supported by the UK Economic and Social Research Council through its Non Governmental Public Action programme (available online at: http://www.lse.ac.uk/ngpa).

Notes

1 The policy stages model has faced substantive criticism for its linearity and assumptions of rationality. It is adopted here as a heuristic tool that provides 'partial answers' (Pielke 2004: 11).
2 The committee is not a classical multilateral organisation. It has no founding treaty, and it does not issue binding regulations. Instead, its main function is to act as an informal forum to find policy solutions and to promulgate standards on banking.
3 ERT is a personal membership organisation of 46 chiefs of European companies (http://www.ert.be). TABD companies work with governments to foster regulatory co-operation (http://www.tabd.org).

6 Governance, politics and the European Mediterranean Partnership

Problems of implementation or policy design?

Karim Knio

Introduction

In the introduction to this volume, Hout and Robison have argued that the retreat from the market fundamentalism of the 'Washington Consensus' (WC) has paved the way for the emergence of a mode of governance characterised by greater attention to the quality of formal and informal institutions and the essentiality of human development, in parallel with the implementation of market-led economic reforms. Accordingly, 'good governance' policies became intrinsically linked with the 'Post-Washington Consensus' (PWC) paradigm that aimed to reconcile the two separate logics of 'states' and 'markets' (Cypher and Dietz 1997). Similar to all major international-development actors, the European Union (EU) has fully endorsed the implementation of 'good governance' policies in an extended multilateral range of regional free-trade agreements. This has been clearly explicit in the Union's new Consensus on Development that posits that 'development is a central goal by itself; and that sustainable development includes good governance, human rights and political, economic, social and environmental aspects' (EU 2006: 2).

Nevertheless, the EU's economic strategy designed to overcome the paralysis manifested in its European Mediterranean Partnership (EMP, or 'Barcelona Process') with its Southern and Eastern Mediterranean neighbouring countries[1] has recently attracted considerable attention from scholars. Since its inception in 1995, the EMP has shown little progress in relation to its grandiose objectives. Many Arab Mediterranean Partners (AMPs) have continuously criticised the EU's reluctance to liberalise its trade in agricultural goods. More importantly, they have expressed serious concerns about their delicate macroeconomic situation and the rigidity of the EU's policy prescriptions on macroeconomic management. The EU acknowledged the macroeconomic difficulties, but has constantly expressed dissatisfaction with the slow pace of market-led economic reforms of the AMPs. The clash between the EU and the AMPs demonstrates that the EU focused more on problems of implementation, while the AMPs emphasised problems of policy design.

In order to reinvigorate the process and reinforce the implementation of the agreed reforms, the EU presented a new strategy of reform that was unanimously

approved by Mediterranean partners (European Commission 2005b). It reiterated the willingness to deepen reform, and called for more efforts in order to meet fully the grand objectives of the EMP.

In this chapter the EU's strategy for promoting socio-economic reform in the Arab Mediterranean region is analysed. Being the major donor and the real driving force of the EMP, the EU promotes a rigorous liberalisation process that does not match the socio-economic dynamics of the region. Here it is argued that this approach is detached from the AMP context for it lacks credibility in *conjunctural* and *structural* terms. In *conjunctural* terms, the EU's reliability for establishing the conditions that it had formulated (liberalisation of agriculture and services) can be seriously questioned. Agricultural liberalisation was promised long ago, but has turned out to be a 'waiting for Godot' process. There is no reason to expect that the EU's latest promises to liberalise this sector will be fulfilled. The Arab Mediterranean Partners have frozen the process of service liberalisation for a considerable time as an indirect protest against the asymmetric nature of power relations in the EMP and the European Neighbourhood Policy (ENP). As long as no real advances are made on the agricultural front, there is little hope that the liberalisation of services will constitute a feasible option for reform.

In *structural* terms, the EU has not been able to escape from fundamental conceptual and practical contradictions inherent to its *Post-Washington consensus-esque* approach to economic governance. Manifested in its educational-reform policy, the EU still shows a strong commitment towards reducing the role of the state in economic decision-making, while simultaneously arguing for a substantial increase in public spending on education, health and other social issues. A large number of analysts seriously question the feasibility and sustainability of the EU's strategy for achieving economic growth and development. In addition, analysts argue that the EU neglects the time it would take to implement its strategy. The AMPs' restrictive fiscal and monetary policies over the last 25 years, coupled with a critical and fragile macroeconomic framework, demonstrate that the enhanced liberalisation strategy was unrealistic. 'Political fatigue' is a likely result of the attempt to implement reforms against the background of the rise of political Islam and the continuation of military conflicts.

In this chapter it is argued that governance reforms need to be understood in their political context and cannot be reduced to technical and managerial measures designed to solve collective-action problems. As such, the present 'policy tinkering' process supported by the EU is not a credible approach to socio-economic reform in the AMP region. If it wishes to present more realistic reform proposals, the EU would need to overhaul its policies and revisit the governance precepts that are part of the current reform schemes. This chapter starts out by sketching the background of current EU Mediterranean policies (EMP and ENP). The third section focuses on the macroeconomic situation in the region. The EU's strategy for reform is described in section 4. In the fifth section a criticism of the EU's reform strategy for the AMP region, taking into account the conjunctural and structural factors that were mentioned above, is presented.

Recent EU Mediterranean policies: a brief background

The EU, previously the European Communities (EC), and the Mediterranean partners (MPs) share a long history of political and economic relationship. Most MPs were in fact ex-European colonies; a historical reality that had already established a framework of interaction between the two blocks. Prior to the Barcelona Declaration, most MPs were engaged in the so called Cooperation Agreements which granted these countries one-way free access to manufactured and semi-manufactured industrial goods to the EC, partial tariff exemptions on specific agricultural goods, limited amounts of financial aid in the form of financial Protocols and some financial development assistance, either through grants or long-term interest-rates loans from the European Investment Bank (EIB) (Yesilada 1991; Swinbank and Riston 1988). Nonetheless, these agreements were hardly seen as a remedy for this historical and asymmetrical relationship. Despite the MPs' excessive trade dependency on the former coloniser and the low levels of economic growth and human-development indicators that they were projecting, the EC restricted its involvement in the region to the safeguarding of energy supplies (Ifestos 1987; Yesilada 1998). This has created some resentment in the MP countries that were seeking further preferential trade arrangements with the EC, and a serious political patronage in order to counterbalance the hegemonic pro-Israeli role played by the USA in the region (Dahrendorf 1983). Various EC-Mediterranean policies have followed but no concrete measures resulted from these action plans (cf. Clairet 1994).

European Mediterranean Partnership (EMP)

Against this background, and given the historical decision that has been taken by the EU to embark on the Eastern European enlargement process, the EMP was launched in the mid-1990s in an attempt to reinvigorate the EU's Mediterranean policy. Central to these new EU objectives were the consolidation of reciprocal trade concessions and the regulation of increasing illegal immigration flows to the Union. Mediterranean growth and stability, from this perspective, lay at the heart of the new EU outlook for the region. In Barcelona, the 27 member states agreed to create a partnership based on objectives related to:

- peace and stability;
- free trade; and
- exchange among civil societies (European Commission 2002).

In sum, the consolidation of the peace process in the Middle East (under the Political/Security chapter), the linkage between development, aid, trade, good governance and democratisation (under the Economic and Financial chapter), and the revitalisation of civil-society movements within the Mediterranean (under the Social chapter) represent the new philosophy of development adopted by the EU in the Mediterranean. To finance these diverse measures, the EU created the

MEDA[2] funds. Between 1995 and 1999, MEDA invested €3.435 billion out of €4.422 billion allocated for financial cooperation. For the period 2000–6, MEDA was endowed with €5.35 billion. These grants from the community budget were accompanied by substantial lending from the European Investment Bank (EIB) (European Commission 2002).

European Neighbourhood Policy (ENP)

The ENP is a new policy (initiated in March 2003) that covers countries that were drawn closer to the EU after the enlargement of May 2004. Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia,[3] Ukraine and the non-EU members of the EMP[4] became part of the ENP. The objective of this policy is to share the benefits of the recent EU enlargement (stability, security and well-being), and to prevent the emergence of new dividing lines between the enlarged Union and its new neighbours. The EU argues that through this policy its neighbours benefit from political, security, economic and cultural cooperation. To meet the ENP goals, the Commission proposed a new method (so-called jointly agreed Action Plans) through which it defines a list of common priorities with the partner countries. The Action Plans constitute a commitment to shared values revolving around the respect for human rights, minority rights, rule of law, good governance, and promotion of good neighbourly relations, principles of market economy, sustainable development and cooperation in certain key foreign-policy goals. The pace with which the EU will develop its links with each partner depends on the extent to which these common values are effectively shared and respected. The major priority areas are: political dialogue (on issues such as the fight against terrorism, proliferation of weapons of mass destruction and regional-conflict resolution), economic and social development policies, trade, and justice and home affairs (European Commission 2003, n.d.).

The EU promised to increase assistance from existing EU funds (mainly TACIS[5] and MEDA) and from the new European Neighbourhood Instrument (ENI) that would be available as of 2007. ENI focuses on cross-border cooperation and the external border of the enlarged EU. For the period 2004–6, the funding foreseen for ENP under external assistance programmes amounted to €255 million. About €700 million was provided for the corresponding EU internal borders under the INTERREG programme.[6] For the 2007–13 period, the Commission proposed a substantial increase in the annual amounts allocated to the ENI.

Macroeconomic situation in the Arab Mediterranean countries

The Arab Mediterranean Partners[7] are not homogeneous. Market size, labour availability and natural-resource endowment vary significantly across the region. Yet, most of these economies, with the exception of Algeria, are not Arab rentier states (cf. Luciani 2005). A great majority of the AMPs implemented IMF-led macroeconomic stabilisation programmes in an attempt to redress the serious fiscal and monetary

imbalances they had been facing since the early 1980s (Kandil 2000). The objectives of these programmes were:

- a reduction of surplus demand through restrictive budgetary policy and contraction of money supply;
- an increase of productive capacity levels through improvements of the organisation of production; and
- improved competitiveness of exports via the upgrading of manufacturing commodities and the adjustment of real exchange rates (Tanzi 1989; Kireyev 2000).

Usually accompanied by IMF emergency funding facilities, these programmes accentuated the processes of debt rescheduling and conversion undertaken by the Club of Paris and Club of London. The implementation of these programmes institutionalised pro-market reforms in the region, emphasising price liberalisation and the general opening up of economic systems.

According to the EU and FEMISE, the macroeconomic situation of the AMPs, after more than 20 years of stabilisation policies, appears to be sustainable over the short and medium term (European Commission 2000, 2002, 2004; FEMISE 2005). There seems to be no immediate threat of monetary or balance of payments crises since the countries have consistently maintained restrictive fiscal and monetary policies and paid off their debts despite their vulnerability to external macroeconomic shocks after 1995.

Still, both the EU and FEMISE consider the macroeconomic setting in the Arab Mediterranean world to be very fragile. Economic growth in the AMPs has been consistently insufficient for the creation of jobs for their growing populations. This has been attributed to the structural non-attractiveness of the countries to foreign investors. Unemployment levels remain high, and these produce serious threats to the social balance in the AMPs. All indicators suggest that the region is facing serious socio-economic challenges that will need to be addressed in order to consolidate the progress that has been achieved so far.

From a labour-market perspective, the AMPs are currently facing a crucial challenge of job creation. Table 6.1 illustrates that approximately 33 million jobs need to be created in the region by 2020 in order to maintain the current rate of employment (48 per cent). According to FEMISE and World Bank studies, this would require an annual growth rate of 6 to 7 per cent (FEMISE 2003). Since average annual growth did not exceed 2.5 per cent between 1980 and 2001, and estimates for the 2001–15 period forecast a modest annual growth of 1.6 per cent, it is unlikely that growth targets in the order of 6 of 7 per cent are realistic.

The data in Table 6.2 show that approximately a third of the AMPs' population is under 15 years old. The pressure on AMP labour markets will remain high as a result of the age structure of the population. In the light of the low rates of economic growth in the countries, the macroeconomic outlook is seriously critical. Unemployment rates in the AMPs are still very high despite the slight decrease in average unemployment rates from 16.1 per cent in 1995 to 15

Table 6.1 AMP labour markets (in thousands)

Country	*Employment 2000*	*Necessary jobs in 2020 to reach an activity of*	
		48% (actual rate)	*To be created*
Algeria	5,726	8,759	3,033
Egypt	17,289	29,088	11,800
Jordan	815	1,459	644
Lebanon	1,365	1,473	108
Morocco	9,019	13,199	4,180
Syria	4,611	8,547	3,936
Tunisia	2,702	3,704	1,002
AMP	62,106	9,504	32,939

Sources: FEMISE (2003), ILO (2003)

per cent in 2003. Although Egypt is the only country where unemployment has increased (from 9.6 to 9.9 per cent between 1995 and 2003), data on unemployment in 2003 are not encouraging: the unemployment rate in Algeria was 23.7 per cent, while Jordan's rate was 13.9, Morocco's 13.1 and Tunisia's 14.3 per cent.[8] It is clear that the current economic-growth figures in the region do not meet current and future employment requirements. An increase of economic growth and job creation is therefore a high priority on the agendas of the countries concerned.

The low levels of growth in the AMPs have generally been attributed to the failure of the countries to attract foreign direct investment (FDI). In this respect, FEMISE (2003, 2004, 2005) referred to the 1990s as a decade of missed opportu-

Table 6.2 Population by age and growth rates of AMPs

Country	*Population (in thousands)*		*Average annual growth (in per cent of GDP)*		*Age structure of the population (in per cent)*		
	Total	*Under 15*	*1980–2001*	*2001–15*	*Under 15*	*15–64*	*Over 64*
Algeria	31,040	10,181	2.4	1.5	32.8	62.5	4.7
Egypt	65,336	24,566	2.2	1.5	37.6	59	3.4
Jordan	5,182	2,052	4	2.2	39.6	57.7	2.7
Lebanon	4,385	1,232	1.8	1.2	28.1	65.4	6.5
Morocco	29,170	9,218	1.9	1.4	31.6	63.3	5.1
Syria	16,720	6,772	3.1	2.1	40.5	56.4	3.1
Tunisia	9,674	2,893	2	1.3	29.9	63.9	6.2
AMP	241,087	81,064	2.5	1.6	34.3	61.2	4.5

Sources: Eurostat, FEMISE (2003), UNDP (2003), World Bank (2003c)

nities: whereas FDI flows to developing countries increased exponentially during the last decade, the AMPs' share of inward FDI was almost negligible (see Figures 6.1 and 6.2). The AMPs lacked investment diversification as they failed to attract horizontal, market-seeking and vertical, efficiency-seeking FDI. They mainly attracted resource-seeking FDI, aimed at the exploitation of natural resources (particularly, oil).

At first sight, market-seeking FDI would seem to be an opportunity for AMP countries due to the size and potential of their markets, but the reality on the ground does not reflect this. The low degree of integration of the AMP economies constitutes a major obstacle for FDI as intra-regional trade levels are comparatively low (FEMISE 2000).[9] The AMPs suffer from a hub-and-spoke syndrome since investors tend to relocate their production bases to the hub (the EU), as a result of the free access of goods from the EU to the AMP countries.

Efficiency-seeking FDI in the AMPs is equally very weak. Compared with the Central and Eastern European countries, which compete with the AMPs for European direct investment, AMP economies are in a difficult situation. As Figures 6.1 and 6.2 demonstrate, the Central and Eastern European countries are much more attractive to investors since they have a relative cheap and well-trained labour force due to the industrial infrastructure inherited from the communist era. The accession to the EU in May 2004 has clearly reinforced the position of the Central and Eastern European countries, and highlights once again the AMPs' structural inability in attracting FDI.

Statistical data on the relationship between socio-economic indicators and economic growth reveal that overall development prospects in the region are very fragile. Data presented in Tables 6.3 and 6.4 demonstrate that there is no clear linear relation between increases in the level of economic growth, decreases in the

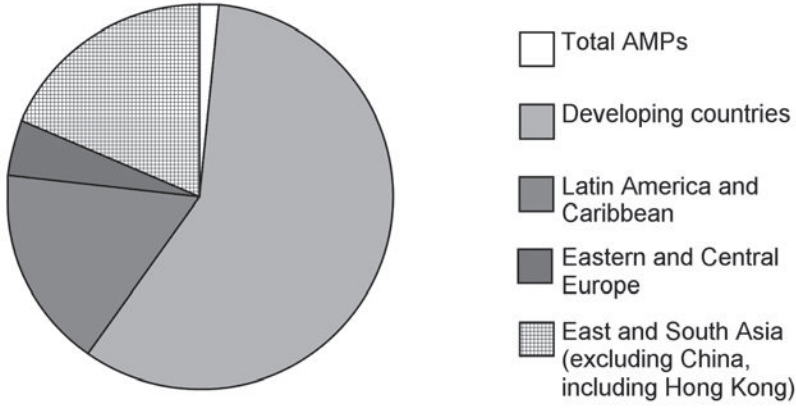
Total AMPs
Developing countries
Latin America and Caribbean
Eastern and Central Europe
East and South Asia (excluding China, including Hong Kong)

Figure 6.1 World FDI flows, 1990–5 (in per cent).
Source: FEMISE (2003–5).

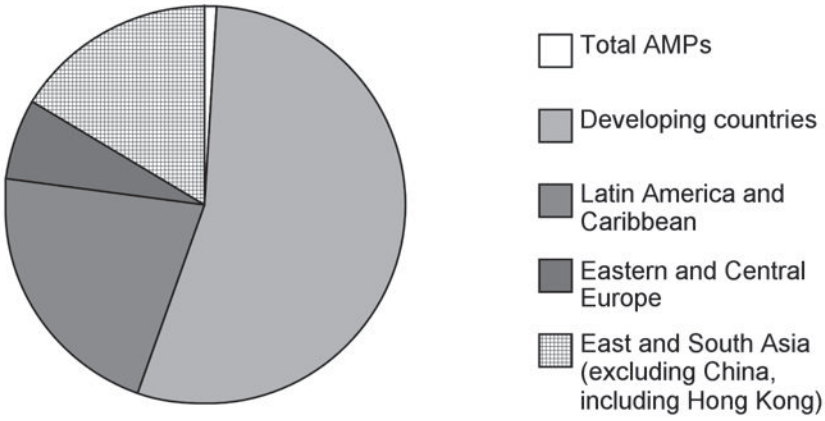
Total AMPs
Developing countries
Latin America and Caribbean
Eastern and Central Europe
East and South Asia (excluding China, including Hong Kong)

Figure 6.2 World FDI flows, 1996–2003 (in per cent)
Source: FEMISE (2003–5).

level of poverty and improvements in human-development conditions. Table 6.3 shows that higher economic growth does not necessarily lead to a lower poverty level in the AMPs (with the exception of Egypt and Jordan).

Similarly, Table 6.4 shows that only three countries (Lebanon, Tunisia and Algeria) have a position on the human-development index that corresponds to their level of GDP growth and their gross national-income (GNI) level. The region as a whole is characterised by high levels of income inequality (see Table 6.3), a fact that underlines the critical aspects of the socio-economic configuration in this volatile region.

Table 6.3 GDP growth, poverty and income inequality in AMPs

Country	*Average annual GDP growth, 1990-2002 (in per cent)*	*Average annual per capita GDP growth, 1990-2001 (in per cent)*	*GDP growth, 2001-2 (in per cent)*	*Per capita GDP growth, 2001-2002 (in per cent)*	*Percentage of population below national poverty line 1990-2001*	*Gini coefficient*
Algeria	2.2	0.1	4.1	2.5	12.2	35.5
Egypt	4.5	2.5	3.0	1.1	16.7	34.4
Jordan	4.7	0.9	4.9	2.0	11.7	36.4
Lebanon	4.9	3.6	1.0	–0.3		
Morocco	2.6	0.7	3.2	1.6	19.0	39.5
Syria	4.7	1.9	2.7	0.3		
Tunisia	4.6	3.1	1.7	0.6	7.6	39.8

Source: World Bank (2003c); UNDP (2003).

Table 6.4 Rank ordering of AMPs by income and human development levels

GDP growth 2001-2002	*GNI 2002*	*HDI 2001*
Jordan	Lebanon	Lebanon
Algeria	Tunisia	Jordan
Morocco	Jordan	Tunisia
Egypt	Algeria	Algeria
Syria	Egypt	Syria
Tunisia	Morocco	Egypt
Lebanon	Syria	Morocco

Source: World Bank (2003c); UNDP (2003).

The EU economic strategy for reform: a five-year work programme (2005–10)

Acknowledging the multiple difficulties that accompanied the process of policy implementation and the delicate socio-economic situation encountered by most AMPs, the EU launched a new bid to reinvigorate the EMP in a meeting held in Barcelona in November 2005 celebrating the tenth anniversary of the whole process. For the purpose of this meeting, the European Commission drafted a detailed work-programme proposal that was fully endorsed by the Foreign Affairs ministers' summit in Barcelona (European Commission 2005b). The proposal aimed to place the EMP in line again with its declared 2010 objectives, and to enable AMPs to meet the challenges they are facing across all three 'Barcelona' chapters (dealing with political, economic and social issues). Under the economic and financial cooperation chapter, the European Commission argued that the partnership had been successful in achieving a Euro-Mediterranean free-trade area in industrial goods, but fell short from expanding its overall scope. It held that progress towards a number of the goals set out in the Barcelona Declaration had been somehow slow. This was partly the effect of the occasional reluctance of many AMPs to commit themselves to some of the principles they had signed up to, the difficulties caused by continuous conflicts in the region and the lack of consensus on some reforms. The European Commission argued that the AMPs had shown a lack of economic assertiveness that kept them from achieving a degree of economic growth that could have been the result of economic reforms and economic and trade liberalisation. In order to overcome these difficulties, the Commission maintained that

> Partners should now take the necessary measures to expand the scope of this core free trade area, in deepening trade liberalisation in agriculture and fish products and in further opening markets to new areas such as services and establishment. It is estimated that two-thirds of the total value added are generated in the service sector and agriculture. The picture is more mixed

> regarding the overall goal of creating a truly regional market that will boost investment and growth in the South and reducing the wealth gap between Europe and its neighbours. In view of the high rates of population growth in the Mediterranean, injecting a new dynamism into market integration, with a view to generating more investment, higher growth rates and job creation must be a priority for the relationship during the next five years …
>
> *A healthy macroeconomic environment, through appropriate fiscal and monetary polices, needs to be maintained and accompanied by structural reforms aimed at lifting obstacles to growth, investment and job creation. Particular attention should be paid, in this context, to creating an enabling environment for businesses, improving governance and redefining the role of the state in the economy.* In this context, Mediterranean Partners are encouraged to make full use of the Economic Dialogues provided for in the Association Agreement in order to consolidate progress in macroeconomic stabilisation and growth policies, as indicated in the ENP Action Plans.
>
> (European Commission 2005b: 5, 9; italics in original)

In sum, the EU five-year strategy for reform,[10] accepted by all AMPs, consolidates and reinforces the economic approach of EMP and ENP. It comprises the following objectives:

- maintenance of a sound macroeconomic environment;
- liberalisation of trade in services;
- completion of the liberalisation process in agricultural and fishery products;
- the possible creation of a Euro-Mediterranean Development Bank;[11]
- convergence and harmonisation of all technical legislation matters;
- completion of South-South economic integration;
- development of regional infrastructure for transport and energy;
- contribution to better education, vocational training and mobility in higher education;
- sustainable development for the region (European Commission 2005b).

Critique of the EU economic strategy for reform

Conjunctural considerations

Considering what has been presented above, it is clear that the EU strategy of reform is based on a rigorous platform of liberalisation. This goes in tandem with the liberal 'Post-Washington Consensus' nature of EU policy in the Mediterranean region, which relies primarily on macroeconomic stabilisation, deregulation, privatisation, harmonisation and/or convergence of technical and regulatory standards, bilateral and multilateral trade liberalisation, and public investment in

specific physical and social infrastructure areas (European Commission 2002, 2005a; Todaro and Smith 2005). This strategy appears to lacks credibility for various conjunctural and structural considerations. In conjunctural terms, it is not clear how the EU envisages achieving an extensive liberalisation of agriculture and services given the historical and current Euro-Mediterranean context.

In relation to the liberalisation of agriculture, one should note that the EU proposal does not contain any new substantial element that can solve the chronic deadlock associated with this matter. In fact, liberalisation of the agricultural sector constitutes one of the basic objectives of the Euro-Mediterranean Free Trade Area endorsed in Barcelona in 1995. Since that date, the EU has long promised its Mediterranean Partners, who are considered to have a clear comparative advantage in this sector and enjoy a restricted preferential trade agreement with the EU on these matters (Lorca and Vicens 2001), that an imminent liberalisation process will take place (European Commission 2000). Clearly, eleven years have passed since the inauguration of the Barcelona Process and very little has materialised on that front. The EU's inability to speed up the liberalisation of this sector was largely due to the protectionist nature of its Common Agricultural Policy (CAP). The liberalisation of the agricultural sector in the EMP has been organically linked to a similar process in CAP.

Given the multiple complications and future uncertainty associated with the CAP, it is evident that agricultural reform is not viable. Since the late 1960s, the European Commission, allied with several member states such as the UK and The Netherlands, has tabled various proposals with the aim of liberalising this expensive sector from its high level of subsidisation. Nonetheless, it has always been met by successful resistance, famously articulated by France and the very well-organised Confederation of Professional Agricultural Organisations (COPA). During the late 1990s, and in the light of the anticipated Eastern Enlargement, the 'Agenda 2000' reform package was approved with a clear mandate to reduce the level of subsidisation and to decouple production from land (Rieger 2005).

Various political and economic obstacles have slowed down the pace of reform ever since the adoption of Agenda 2000. For instance, during the intergovernmental 2000 Nice Summit, French president Jacques Chirac announced that his country would block any additional cuts of its product subsidies until the year 2006, a statement that has dented any further hope for continued liberalisation (Mazey 2001). Furthermore, the accession of the former Central and Eastern European countries to the EU in May 2004 generated various additional problems. Due to the relatively large size of the agricultural sector in certain countries (e.g., Poland) and because the level of subsidisation received by these countries is significantly lower than the pre-1995 ratios, many farmer organisations have objected to measures that would provide access to non-EU agricultural goods (Bache and George 2006). More recently (in July 2006), the WTO trade-round talks failed with no indication that they will be resumed in the short term. In relation to agriculture, various developing countries, such as Brazil, India and South Africa, criticised the EU and the USA's continuous use of trade-distorting subsidies for agriculture, and their refusal to increase market access for farm products originating from developing countries

(FEMISE 2006). Due to all these factors, it is highly probable that a substantial liberalisation of CAP will not be achieved in the short and medium term. Given the various difficulties that the EU is encountering in liberalising one of its own internal policies, one may question the feasibility of the EU-AMP liberalisation plan.

Reciprocally, the liberalisation of trade in services has largely been resisted so far by the AMPs. Similar to agriculture, the liberalisation process of this sector has been one of the most important objectives of the intended Euro-Mediterranean Free Trade Area. Although negotiations with various AMPs were initiated in 2001, it was not before the Istanbul Trade Ministers' meeting held in July 2004 that the EMP member states agreed on a Framework Protocol on Services (European Commission 2001). Serving as a template for further negotiations, the Protocol ensured that participating countries will continue this process bilaterally, with the result of these talks being amalgamated and extended to other partners on the basis of the principle of non-discrimination embedded in the so-called Regional Most Favoured Nation (RMFN) clause. According to the European Commission, services liberalisation was not only requested because it constitutes an integral part of the Association Agreements signed by the AMPs with the EU, but also because it is a vital economic interest (amounting to aboutd 60 per cent of GDP). Guided by some World Bank studies, the Commission postulated that the benefits expected from the liberalisation of services would be three times higher than the one generated by trade in goods (European Commission 2005b).

Despite the large and beneficial economic impact generated by the liberalisation of trade in services, it is clear that the slow pace and delayed nature of the AMPs' reaction towards this process was not necessarily motivated by a purely economic logic. Following the work of various academic scholars who have paid attention to the asymmetric nature of power relations within the EMP (Joffé 1998, 1999; Youngs 1999; Pace 2002), it can be argued that the current paralysis will most likely persist as there is mounting dissatisfaction among AMPs with the way the process of reform has been implemented in the EMP. After more than ten years of implementation, one can conclude that the EMP's liberal economic philosophy is only applied to the sectors where the EU enjoys a greater comparative advantage. Since most AMPs have already liberalised most of their trade in goods, they have understandably delayed any improvement on the services front until the EU manages to step up its liberalisation progress in agriculture. In other words, the AMPs have initiated a process of political *blackmail* as they link any progress on service liberalisation to a similar process in agriculture. Since the liberalisation of agriculture appears to be slow and opaque at least in the short and medium term, the liberalisation of services hardly provides a platform for a solution. Seen from this perspective, the EU's reform strategy is not credible or realistic.

Structural considerations

The EU's strategy for reform also suffers from various structural weaknesses. In its paragraphs on education, the strategy recognised that education plays a crucial role in political, social and economic development, and reiterated the urgent need

for substantial improvements in this sector. Accordingly, it sought to increase the proportion of financial cooperation devoted to education by 50 per cent in parallel with renewed efforts by AMP national governments to invest in this sector. This financial cooperation would potentially also involve donors such as the EIB, the World Bank and UNDP (European Commission 2005b).

There is no doubt that any additional increase of education programmes would be welcomed by all AMPs, let alone any developing economy in the world. Yet, it is also clear that this EU policy is inherently 'Post-Washington-esque' in its formulation. It hovers between explicit market-based reforms and government intervention in areas that provide high economic returns, such as education, health (human capital) and physical infrastructure (European Commission 2002, 2005a). This business-friendly approach has been supported vehemently by the World Bank since the late 1980s, and theoretically justified by the work on new (or endogenous) growth theory by economists such as Barro (1990), Helpman (1992), Lucas (1993), Romer (1986, 1993) and Stern (1991) (Cypher and Dietz 1997). At the same time, the approach has also been subjected to intense criticism by a large group of analysts who are sceptical about its theoretical underpinnings and policy implementation.

From a theoretical perspective, new growth theories were often criticised as being inappropriate for developing countries. Most variations of such theories assume either the existence of a single sector of production or a symmetry of all sectors and this in turn inhibits the vital growth-generating reallocation of labour and capital among sectors that are exposed during the transition process. In addition, most of the theories do not recognise that inefficiencies arising from poor infrastructure, inadequate institutions and imperfect capital and goods markets in developing economies greatly reduce the applicability of the theories, especially when they involve country to country comparisons. Empirical studies on the predictive value of endogenous growth theories have so far provided very limited support (cf. Naqvi 1996; Pack 1994).

From a policy perspective, the sustainability of simultaneously balancing pure market-based economic reforms with active public investment on human and physical infrastructure was equally questioned by various scholars. According to Fine *et al*. (2003) and Toye (2000), the elimination of fiscal deficits does not necessarily require the reduction of total public expenditure since public spending can increase as the deficit decreases provided that revenue-raising schemes are growing at a higher pace. Since revenue-raising schemes in this context are firmly structured around market-based principles that promote private-sector development, rationalisation, profit-seeking activities and sound allocation of resources, investment in human capital has to recede *de facto* into the background as a policy priority in developing countries. As such, many scholars were sceptical about the sustainability of this policy, and considered that the Post-Washington Consensus should not be treated as a radical departure from its predecessor (the Washington Consensus), since the former approach calls for similar limits on the state's role in direct production or social investments as did the latter (Singh 1994; Sen 1999; Harriss 2001; Pender 2001; Öniş and Şenses 2005; Todaro and Smith 2005). In

the EU-AMP context, increased financial support from the EU would temporarily alleviate problems of capital scarcity encountered by the AMPs in the future. Yet, given the critical nature of the macroeconomic setting of these economies, the rolling back of the state and the structural inability of attracting FDI, as previously discussed in this chapter, it is not clear how credible and, most importantly, sustainable the reforms will turn out to be.

Another long-term weakness of the reform strategy is manifested in the neglect of 'time-effect' considerations. Even if one assumes that the liberalisation process envisaged by the EU will eventually be fully completed, most analysts argue that the benefits deriving from the process need a considerable time to materialise. Given the critical macroeconomic situation of the AMPs that was discussed in this chapter, one may seriously question whether a strategy of further liberalisation is realistic. In a context characterised by excessively high rates of unemployment, structural inability to attract FDI, chronic low levels of economic growth and widening income distribution, the political prospects of accommodating further economic liberalisation will get increasingly dimmer. As most of the AMPs have embarked on a liberalisation process since the early 1980s and have achieved only limited success in macroeconomic stabilisation and a modest degree of economic openness, it is more likely that the countries will start experiencing *liberal political fatigue* rather than enthusiasm for an optimistic liberal economic scenario.

With the continuation of violent political conflicts in the wider Middle East (wars in Iraq, Palestine and more recently Lebanon) and the rise of fundamentalist Islamic groups across the whole region, the political fatigue process will likely be exacerbated as AMP governments will no longer be able to defend policies aimed at reducing the already fragile public sector, and unleashing the weak and fragmented private sector. The rising popularity of various Islamist groups such as Hamas and Hezbollah by itself is an obstacle to further liberalisation since these groups equate such reform policies with the doctrines of Westernisation and colonisation (Ayubi 1991; Kramer 1996). From this perspective, the liberalisation process is no longer seen as the neutral reform package that the EU argues it to be, but is viewed in a larger anti-'Western' political and cultural context. Due to all these factors, and irrespective of its credibility, the EU strategy has completely neglected the importance of temporal considerations in its policy design. This circumstance is one of the major structural weaknesses of the EU approach of the AMPs.

Conclusion

The rise of the Post-Washington Consensus and good governance policies in orthodox development circles has led to a renewed emphasis on institutions and an attempt to balance the market fundamentalism of the Washington Consensus with attention to socio-economic human development. Such policies were argued to be holistic in nature as political, economic, social and environmental considerations were no longer separated but integrated. Although this evolutionary transformation in orthodox policy design has been welcomed by various academic

scholars and practitioners, it was argued that the policies were subject to the same problems as the defunct Washington Consensus, since they merely added a human or social face to an essentially market fundamentalist policy prescription. In that respect, the Post-Washington Consensus was not only criticised for its contradictory and unsustainable nature but also for its stylised, one-size-fits-all policy reforms. This approach, it has been argued here, is clearly present in the EU's economic strategy designed to reinvigorate its Mediterranean policies. Whether analysed from conjunctural or structural terms, it is clear that the EU's strategy favours a technical-managerial approach to governance that is completely detached from the AMPs' socio-economic and political context. For these reasons, the EU should focus on problems of policy design and reconsider the essence of its governance approach in the Mediterranean instead of addressing problems deriving from policy implementation.

Notes

1 These were: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey. Libya attended as an observer.
2 Acronym for the French term *mesure d'ajustement* (adjustment measure).
3 In 2003, the EU and Russia decided to develop their relations independently of the ENP (Cini 2004).
4 These are all the Mediterranean partners with the exception of Cyprus, Malta and Turkey.
5 Launched by the EC in 1991, the Tacis Programme provides technical assistance to 12 countries in Eastern Europe and Central Asia.
6 INTERREG is an EU-funded programme that helps Europe's regions form partnerships to work together on common projects.
7 The Palestinian Authority has been excluded in this chapter because of a lack of consistent data.
8 No data were available for Lebanon and Syria, but unemployment in Lebanon is estimated at about 30 per cent, and in Syria at 10 per cent (FEMISE 2003).
9 In the 1970–88 period, the intra-AMP volume of trade was 4–6 per cent of total world trade, while intra-Latin American trade accounted for 12–25 per cent and trade within East Asia was in the range between 19 and 22 per cent (FEMISE 2000).
10 Euro-Mediterranean Partners have accepted under this agreement to start negotiations, design and implement a road map for all of the reforms listed above. The components of these reforms should be developed in a comprehensive way in accordance with the provisions of the Association Agreements for the creation of a Free Trade Area by 2010 (European Commission 2005b).
11 Against the European Commission's wishes, this particular reform is no longer addressed. Instead, the EU opted to reinforce its already existing Facility for Euro-Mediterranean Investment and Partnership (FEMIP), which helps to create a favourable private-sector environment in the Middle East and North Africa (European Commission 2007).

Part 3

Transplanting and defining the governance model at the ground level

7 Real governance

Change and continuity in India's authority and power structures

Jos Mooij

Introduction

Governance has reached India. The country that for a long time was governed by the idea of planned economic development and the necessity of a powerful and omni-present government had been reinvented, as Corbridge and Harriss (2000) described the process. These authors have used the term 'reinvention' to indicate that the previous model, which has never been fully implemented but functioned nevertheless as a powerful idea, has been replaced (partially) by a new model: market-led development, with a much smaller role for the state in development processes, and a much larger role for other actors. In other words, a shift from government to governance.

The idea of governance, as Gopal Jayal and Pai (2001: 14–5) rightly stated, has different historical legacies. In the developed economies, it referred primarily to a changing political reality. New economic policies, cutbacks in the welfare state and critiques of bureaucratisation led to new forms of public management. From a 'command-and-control' organisation, the state became an enabling regulator. Contracting out and agentification are just two of the main processes that can be witnessed. The discursive shift from government to governance can be seen as a response to these developments.

In developing countries, however, the situation was different. The discourse 'first landed on Southern shores as medicine prescribed by the good doctors of the Bretton Woods institutions, to remedy the laggard and inefficient development performance of these states' (Gopal Jayal and Pai 2000: 14–15). As was argued by Hout and Robison (this volume, pp. 2–5), the World Bank and other international donors used governance as a convenient discursive mechanism to deal with issues of public management without giving a major role and responsibility to (often allegedly corrupt and inefficient) government institutions, and, moreover, to do so in a seemingly apolitical fashion.

India, however, is not a 'Southern shore' like any other. As compared to many other developing countries, the reform process started late, and once it started, it was not only or primarily a process set in motion by outside actors. It is well documented that India faced an acute balance of payments crisis in 1991. The 'Bretton Woods doctors' were then ready to prescribe their stabilisation and adjustment

programmes in exchange for loans. But apart from these external agencies, there were also powerful domestic actors and forces that lobbied and pushed for a reform agenda and a different role for the government in economic development.

Almost two decades later, India has, indeed, been 'reinvented'. Instead of being associated with rural poverty, India is now identified with its booming information-technology sector and its expanding middle class, which consumes and behaves like elites and middle classes elsewhere in the world. The so-called 'Hindu rate of growth' (Krishna Raj 1973) has given way to growth figures approaching those of China. Instead of a 'licence Raj' regulating most economic activities and transactions, India is now a major player in the global economy, with Indian companies buying up European steel industries or car factories. India is 'unbound', as one of the supporters has described the process (Das 2000).

This chapter describes India's transition from a state-led development ideology to a market-led model, from an idea that the state is the main actor in economic development to an idea of the state as facilitator, from government as a central regulatory authority to new forms of public management that include different actors in public–private partnerships, decentralised forms of governance and out-sourcing arrangements. It is argued that this transition has to be understood against the background of changes in class relations that had happened already before 1991 and that were further reinforced in the reform era. The opposition to the new economic policies has been weak, partly because some powerful groups could benefit but also because large categories of people who did not immediately benefit could consider themselves as potential beneficiaries in the long run. Initially, there was also opposition to some of the governance reforms from within political circles and the bureaucracy itself, but this has subsided. This, it is evinced, has to do with the fact that despite many rhetorical changes, there were several important features of the Indian polity that have remained basically intact. Hence, the argument is that the mode of governance that has replaced the earlier state-led model is a hybrid one (as the earlier one, in fact, also was). It is based on a new ideology and contains new elements, but, in actual practice, less has changed that what is claimed. Ironically, it is this mixture of continuity and change that has diffused opposition and paved the way for some of the governance reforms that have taken place.

This chapter starts with a short interpretation of the Nehruvian model of the state and how this was replaced by a new concept. The third section explains this shift against the background of India's changing political economy. In Section 4 what has really happened 'on the ground' is discussed. This section focuses on one south Indian state, Andhra Pradesh, which has been at the forefront of the reform process between 1995 and 2004. The chapter ends with a short conclusion.

From planning to governance

In order to understand the Nehruvian model of development, it is important to go back to the origins of India's democracy. As we know now, India became a constitutional parliamentary democracy after achieving independence in 1947. In the

course of time, this feature has become self-evident, natural, as if it could not have been otherwise. But this, as Khilnani (1997) reminds us, was not true. In fact, India was not particularly well prepared for democracy: 'Huge, impoverished, crowded with cultural and religious distinctions, with a hierarchical social order almost deliberately designed to resist the idea of political equality, India had little prospective reason to expect it could operate as a democracy' (Khilnani 1997: 16).

Moreover, in the years preceding independence, different competing visions co-existed and were debated. Mahatma Gandhi's ideal was that the village would be the main political unit, with only a very small role for a central state. Sardar Patel preferred a more hierarchical authoritarian state, reflecting existing social relations within Indian society, while Jawaharlal Nehru favoured a centralised parliamentary democracy comparable to the Westminster model. Eventually Nehru won, but the victory was 'precarious and partial … it persuaded few outside intellectuals and English-speaking circles, and it could never rely on the support of any powerful group' (Khilnani 1997: 34; cf. Corbridge and Harriss 2000: 26–7; Guha 2007: 127–50).

What is important in the context of this chapter is that democracy in India was not the result of a mass demand of the people; it was not the product of an emerging bourgeoisie demanding democratic rights (Moore 1966). Rather, it was the political choice of an intellectual elite (Khilnani 1997: 34) that won the ideological battle, partly helped by historical coincidence.[1]

The contradictions that were the result of this history, were at the time clearly expressed by Ambedkar, the main author of the Indian Constitution and leader of the 'untouchable' castes, when he said that

> On the 26th January 1950, we are going to enter a life of contradictions. In politics, we will have equality, and in social and economic life we will have inequality. In politics we will be recognising the principle of one man, one vote, one value. In our social and economic life we shall, by reason of our social and economic structure, continue to deny the principle of one man, one value. How long shall we continue to live this life of contradictions? How long shall we continue to deny equality in our social and economic life? If we continue to deny it for long, we do so only by putting our political democracy in peril.
>
> (quoted from Khilnani 1997: 35)

Given the huge social and economic inequalities, how could political equality be achieved? In the absence of a broad-based reform movement, where could the push for social and economic change come from? At that time there was almost no other alternative to the state having to play a major role in the required development. Using Gramsci's work, the Indian political scientists Sudipta Kaviraj and Partha Chatterjee have referred to this process as a 'passive revolution'. In the absence of a bourgeois hegemony, social transformation was sought 'through bureaucratic rather than mobilizational form' (Kaviraj 1997: 60). Or, in other words, '[i]t is by means of an interventionist state, directly entering the domain of production as

mobilizer and manager of investable "national" resources that the foundations are laid for industrialization and the expansion of capital' (Chatterjee 1993: 212). The state became the main actor entrusted with the responsibility to lead and guarantee economic development and social transformation. The result was a huge state-controlled sector and a powerful planning apparatus. The ideology of state-led development as well as the practice of an enormous public sector responsible for growth and welfare can thus be understood against the background of an emerging democracy with reformist aspirations but without a bourgeois movement or other forms of social mobilisation that could lead or push this development.

The first three plan periods (1950–65) were relatively successful, but then the Indian economy started to stagnate. Poverty was also still a major problem. From the mid-1960s onwards, the Green Revolution resulted in agrarian growth in certain regions and the rise of a class of capitalist farmers who became a politically powerful category of people in several Indian states. The result, as Bardhan (1984) described, was a coalition of three dominant proprietary classes (the industrial capitalists, rich farmers and white-collar workers) engaged in several conflicts with each other about subsidies and (illegal) rents, resulting in economic stagnation and policy deadlocks. From the 1970s onwards, some economists (e.g. Bhagwati and Desai 1970) started to question the idea of planned development, pointing out the inefficiencies emerging from controls and protection.

There were several initiatives in the 1970s and 1980s to move away somewhat from planning, and to reduce the role of the public sector. When Rajiv Gandhi came to power in 1984, there was a short-lived 'half-hearted' (Harriss 1987) attempt to liberalise the economy. Several political analysts at that time concluded that the democratic set-up that allowed opposition to mobilise fairly easily had made it apparently very difficult to reform the Indian economy and to redefine the role of the state (Harriss 1987; Kohli 1989; Manor 1987).

As the events since 1991 have shown, such analyses were mistaken. Although more gradual than in some African or Latin American countries, the Indian economy has undergone major reform in the 1990s, and the role of the state in economic and social development has altered significantly. Banks have been liberalised; industries previously reserved for the public sector (electricity, telecommunications) have been opened up; agricultural trade has been liberalised; there has been a liberalisation of imports and exports; there has been privatisation or disinvestments in some public-sector enterprises; the insurance sector has been reformed; planning as an economic instrument has lost much of its importance; and massive private initiative in health and education has diminished the role of the state.

The reforms have contributed to high rates of economic growth. They have also contributed to the expansion and increasing importance of the urban middle class and led to a new concept of development. Large dams or steel factories are no longer the symbols of progress; they have been replaced by cars, mobile phones and shopping malls. Probably most noteworthy in the context of this book, the reforms have transformed the very idea of the role of the state. The normative model that has acquired dominance since 1991 is one of a slimmed down, effec-

tive and efficient, partly decentralised[2] state that is no longer involved in economic activities undertaken by the private sector, but that takes responsibility for regulating the private sector, enabling and facilitating private initiatives, that relies and collaborates with private and non-governmental parties, and that protects the weaker sections in society. In other words, responsible governance that allows the private sector to flourish has replaced command and control.

Processes behind the 'reinvention'

It is an intriguing question why this shift could take place in the 1990s, especially since earlier efforts failed. There is an extensive body of literature on the politics of the reform process, which has been reviewed elsewhere (Mooij 2005). Here only some of the contributions to the debate are highlighted.

According to Rob Jenkins (1999), the introduction of the reforms is an example of clever political management, facilitated by helpful features of some political institutions. Reforms, he argued, were introduced by stealth. Indian politicians used several underhand and often non-transparent tactics. They were confident that the reform would not fundamentally alter either the political arena or their privileged position. Interest groups would remain malleable, and new coalitions would emerge. Two types of institutions were particularly highlighted by Jenkins: namely, federal and political-party institutions. The federal system diffused opposition, while political parties functioned as networks of influence that could be used by politicians when negotiating policies and accommodating interests. In short, India's democracy did not create a hurdle; on the contrary, the actual functioning of the main 'democratic' institutions enabled reformers to develop their clandestine tactics to introduce the reforms without encountering much opposition.

This explanation focuses particularly on issues of implementation, but does not address the reform agenda itself. Where does the new concept of the role of the state come from? Why could it become a powerful idea? Why did the communist parties not oppose the liberalisation agenda?

The latter question can be explained by distinguishing between mass and elite politics (Varshney 1999). In the 1990s, mass politics in India centered around identity issues. Following the 1991 elections, the Hindu nationalist Bharatya Janata Party (BJP) had become the second largest political party in the country after Congress(I). It had played a key role in the movement for the demolition of the Babri mosque in Ayodhya and in the Hindu–Muslim riots that subsequently broke out in several parts of the country. Along with the issue of job reservation for lower castes, this had led to mass politics centring around social and communal identities. This, according to Varshney (1999: 247), had consequences for the way political parties realigned in parliament: 'Coalitions were increasingly formed against Hindu nationalists, not against the Congress. To begin with, the left – the Communists and the lower caste Janata Dal and its allies – disliked the reforms, but *they disliked Hindu nationalism even more*'. Subsequent budget proposals could get passed by Parliament – not because the opposition parties

were in favour, but because Hindu–Muslim relations and caste animosities had become the prime determinants of political coalitions (Varshney 1999: 248).

Moreover, according to Shastri (1997), the reconceptualisation of the role of government did not start in 1991, but in the late 1970s and early 1980s when various committees headed by senior administrators who were more market-friendly than their predecessors wrote their policy reports. These ideas were further developed during the Rajiv Gandhi regime. Although many of the policy ideas could not be implemented, the ideological orientation of the key decision-makers and economic advisors continued to change. The process was helped by the entry of the so-called 'laterals' within the bureaucracy, who are usually relatively young, trained outside India (often in the USA), and possibly with prior professional experience in the World Bank or in the academic world. When faced with the hierarchy and rigidity of the Indian bureaucracy, the laterals became reformers almost by default. Thus, the reform discourse grew in strength, and when the 'windows of opportunity' opened in 1991, the plans were ready for implementation.

The limitation of these explanations is that they focus primarily on processes within the state itself, while, as S.K. Das (2005) showed, there was also considerable opposition *within* the state. Das, himself a member of the Indian Administrative Service (IAS), describes how, initially, the IAS resisted change. The reforms seemed to initiate the end of the 'licence Raj': discretionary powers would diminish and there would be a higher degree of insulation between IAS personnel and market participants. While a small number of senior IAS staff supported the reform ideology, a much larger number, according to Das, feared that the changes would erode their position of command and control versus the private sector. It was only from 1997–8 onwards that they became reform-minded, that is, after it had become clear that the process could be manipulated in such a way that it posed no threat at all.

A more comprehensive account has to take wider social and class relations, and changes therein, into account. There were, of course, important geo-political developments: the late 1980s had witnessed the end of the cold war and the break-up of the Soviet Union. There was also international pressure from the International Monetary Fund and the World Bank to introduce structural adjustment policies. But more importantly, structural transformations had taken place within India's political economy.

First of all, Indian industry and business have undergone a 'quiet revolution' in the 1980s (Pedersen 2000). The modern sections within business (engineering, electronics, software, computers, etc.) have grown and become more prominent. In contrast to some of the older business groups, these modern sections favour deregulation, de-control and de-licensing. They have organised themselves in the Confederation of Indian Industry (CII). This confederation has been fairly successful in developing close ties with the Finance Ministry and other policy-makers. It participates actively in public debates around economic reform, and has been able to influence the economic policy agenda. So, Pedersen's argument is that the rise of this new group of industrial entrepreneurs, in economic as well as in political terms, 'constituted the key social change that was necessary for the reforms to be carried through' (Pedersen 2000: 276).[3]

Second, over time, there have been important shifts in the overall class structure of India. At the time of independence, there was a very small elite, next to a huge mass of poor people. Partly as a result of the various Nehruvian policies as well as the Green Revolution, this has changed and a considerable middle class has emerged. This, as Sridharan (2004: 405) argued, had political implications: 'The elite-mass class cleavage tended to support a broadly socialistic ideology, while the elite-middle-mass differentiation has created a broader base for capitalism – hence the increased support for economic liberalization'. The reality is, of course, more complex than this quote suggests, but there can be no doubt that the middle class has been a staunch, and perhaps increasingly staunch, supporter of the liberalisation process. Diverse and internally fragmented as it may be – and even though it is still by all accounts a minority (and elite part) of the population – it has become 'the moral majority' (Deshpande 2006). It occupies a hegemonic position insofar as it represents what India wants to be in the twenty-first century: educated, upwardly mobile, modern.

Even though there are fractions within the middle class that do not benefit from liberalisation (for instance, public-sector workers who are faced with retrenchments), the middle class as a whole has identified with the liberalisation process. In fact, there is also surprisingly little opposition from lower classes, who are often excluded from the new consumption patterns and lifestyles that have become normal among the middle class. Fernandes (2006) explains this in terms of 'intertemporal interpretation'. In her view, 'an anticipation of future benefits mediates the immediacy of political opposition' (Fernandes 2006: xx). The promise of liberalisation is that it will eventually benefit everybody. This process is very visible, indeed. En masse, poor people have started to see themselves as the potential middle class of the future. This is evident, for instance, in the enormous popularity of English-medium private education, in which poor people are willing to invest a lot, assuming that it might be a major gateway towards upward social mobility (Mooij and Lama-Rewal, forthcoming).

Governance reforms in Andhra Pradesh

The Indian model may have changed from planning to governance, but to what extent have new modes of governance been realised? Given the size of India, this section focuses on just one state within India, Andhra Pradesh, where fieldwork has been carried out between 2000 and 2004 (see Mooij 2003, 2007).

Andhra Pradesh (AP), a south Indian state with approximately 80 million inhabitants, is an interesting state in terms of studying governance reforms. When India started to liberalise its economy after 1991, AP followed suit, but in a slow and modest way. However, since the mid-1990s, the AP state government has become one of the main advocates of the Indian reform process. Between 1995 and 2004, AP was ruled by a dynamic and reform-oriented Chief Minister, Chandrababu Naidu. AP became the first state that negotiated an independent loan with the World Bank.[4] While in several other states reforms were implemented by stealth (Jenkins 1999), the AP state government under Naidu made a point of advertising

itself as reformist. It is probably partly for that reason that AP became almost a darling state of several international donors, who liked the unconcealed commitment to reform that was expressed almost daily by its political leadership.

Among the many claims of the AP government between 1995 and 2004, there were a few important ones that referred to governance. The AP leadership stated that it wanted to improve the performance of the administration, to enhance accountability and transparency, and to keep politics away from policy implementation. It coined the term SMART governance to refer to these objectives, where SMART stands for simple, moral, accountable, responsive and transparent. A taskforce on Good Governance was set up and a White Paper on 'Governance and Public Management' discussed many goals and initiatives. In 2000, Naidu published a book in which he wrote that 'both old-style politics and old-style governance have to change … At the heart of the administrative reform we are attempting is the change in the role for the government from being an actor, to enabler and facilitator' (Naidu 2000: 10–12). According to Naidu, there were major problems with the administration. 'The machinery which attempts to run the state needs an urgent overhaul itself. It is huge and self-perpetuating. It is slow and accountable to nobody. Above all, it is obstructive. It essentially exists for itself, not for the public' (Naidu 2000: 45). Corruption was seen as an enormous problem. In his view, there was 'too much politicking and too little governance' (Naidu 2000: 17).

The most prominent governance-reform initiatives were fourfold. First, there was a strategic effort to create an economic climate favourable to private investments. The government established two industrial parks around the capital city of AP (one for software and computer industries, the other for pharmaceutical and biotechnology industry). It provided specialised infrastructure, offered provisions for capital subsidy, tax rebates and exemptions from certain types of legislations. Furthermore, the power sector was de-bundled and partly privatised. In the social sector, there was a massive expansion of private health and education facilities, also stimulated by the government.

Second, there was an effort to increase stakeholder participation in development efforts. 'Make a stakeholder of every citizen' became a slogan of the AP government. Self-help groups (such as women thrift societies) and local-level user groups and committees were established in many areas. Stakeholder participation was also an important characteristic of the flagship rural-development programme (*Janmabhoomi*, literally land of one's birth) introduced by Naidu.

A third set of governance reforms related to the introduction of e-governance. The Chief Minister himself strongly believed that information technology could help in improving service delivery, accountability and transparency and in reducing corruption (Naidu and Ninan 2000: 14). E-service centres were created in urban areas. These are multi-purpose centres where citizens can pay telephone and electricity bills, get licences and pay municipal taxes. The Registration Department was computerised, enabling electronic registration of property transfers and other transactions.

A fourth governance-reform effort was the introduction of performance targets for individuals and institutions, which was coined 'governing for result'. Naidu

introduced monthly performance assessments of the bureaucracy, at individual and institutional level. Long schedules with numerous indicators had to be filled in at all levels in order to monitor progress and inform the higher officials and Chief Minister. The popularity and progress of the government was further assessed occasionally by independent agents and through ongoing public-perceptions studies.

Some of these endeavours have been quite successful. For instance, many industrial companies have set up offices and industries in Hyderabad. These include some major international companies. Microsoft, for instance, has a campus in Hyderabad, which was the company's first campus in India and its biggest outside the USA. Software exports from AP have increased from Rs. 0.6 billion in 1995–6 to Rs. 185 billion in 2007–8.[5] AP accounts for 10 per cent of the software exports in India, and Hyderabad is a major player. The e-service centres are also examples of successful initiatives. They are very much appreciated by the urban citizens, who can now settle bills and do other routine jobs at just one counter.

Other governance reforms, however, did not achieve the official objectives or had some unfavourable side effects. The computerisation of the Registration Department, for instance, did not lead to a decrease in corruption, as Caseley (2003) has documented. 'Governing for Results' went overboard with its targets and the necessity to report progress at monthly intervals. There was widespread manipulation of figures, stimulated by higher officials who wanted to show that their district performed well.[6] The involvement of stakeholder groups in policy-making shows a mixed picture. There was a massive expansion of women self-help groups, but many of them did not function very well. User groups were formed in multiple areas such as irrigation, forestry, watershed development, education and health, but in most sectors the influence of stakeholders on management decisions remained marginal (see Mooij 2003).

As with all (successful or unsuccessful) policy interventions, it is important to assess the reforms not only against their official objectives and intentions, but also more broadly. What is it that these reforms actually do? What kind of developments do they allow to happen? The first thing to mention here is that the governance reforms were used by the political leadership to develop a political image and identity. Naidu's predecessor was a populist and charismatic film star-cum-politician. When Naidu took over in 1995, he had to find a way to come out of the shadow of his predecessor and to become a leader in his own right. He found this image in computers, technology and modern management. He orchestrated a considerable amount of publicity around his person, stressing especially his commitment to reform, good governance, hard work, his modern outlook, etc. He succeeded in attracting international attention, both from industrialists such as Bill Gates and donor organisations. In other words, governance rhetoric and reforms helped Naidu to build an image within the state and to create legitimacy in the international arena.

A second point worth mentioning is that, in actual practice, many of the governance reforms contributed to further centralise power in the person of Naidu himself. In a sense, such centralisation was not new. The Telugu Desam Party (TDP, Naidu's party) has always been dominated by one leader. Naidu, however, gave a new twist to this centralisation. According to one observer, Naidu 'is not

a "commandist", since he sees plenty of scope for the private sector and does not wish the government to dominate everything. But he seeks personal dominance of nearly everything within the reach of the government. So, he offers not "commandism" but "control freakery"' (Manor 2004: 273–4). Naidu had surrounded himself with a small number of like-minded, often hand-picked, people within the bureaucracy. Ministers, barring a few, were quite marginalised. The establishment of targets and frequent performance assessments functioned as an instrument in this centralisation. Regular video conferences were held, during which senior district officials had to report to the Chief Minister. Districts that had achieved their targets were praised; others were publicly reprimanded. At the district level, many financial powers were shifted from sectoral departments to the district commissioners – to whom the Chief Minister had direct access (see Mooij and Prasad 2006).

A third effect of the governance reforms was the further development of the Telugu Desam Party at the local level. According to Powis (2003), Naidu's efforts to involve stakeholders should be understood first and foremost as a political strategy: the stakeholder groups functioned as arrangements in which new rural leaders could emerge and be accommodated. In addition, the establishment of stakeholder groups contributed to the further development of a 'contractor Raj' at the local level. Since stakeholder groups were often dominated by (aspirant) local TDP leaders, and since they were often made responsible for the selection of contractors who could do the work (for instance, the construction of an additional classroom in a school), funds were often used to maintain coalitions of political support and favour TDP-affiliated contractors (Nayak *et al*. 2002). There were 'tremendous personal benefits to those who are part of the implementing machinery … [and in] return these people have acted as mobilisers during election time and generated party interests at other times' (Nayak *et al*. 2002: 40). While previously contractors and middlemen could be independent of political parties, the fact that new TDP-dominated bodies were made responsible for the distribution of funds made the 'contractor class' enter into politics, often as TDP associates.

A fourth point to make is that the governance reforms did not lead to a reduction in populism. Despite the change in policy rhetoric (from welfare to development; from hand-outs to self-help), the regime continued to be populist. The *Janmabhoomi* scheme differed in its concept from some of the earlier development schemes in the sense that it was based on empowerment, self-help and stakeholders, while some earlier schemes drew upon a 'donative discourse' (see Schaffer 1984). Nevertheless, it is populist in nature and partly meant to secure vote banks. Moreover, apart from these 'modern' stakeholder-based schemes, there continued to be a plethora of more traditional populist schemes meant for specific target groups (rural women, people of traditional occupations, religious minorities, scheduled castes). Especially during election time, Naidu was, as Suri (2005:147) put it, '[l]ike a political wizard, … [pulling] out one welfare scheme after another from his hat'. In actual practice, many of these schemes suffered from a lack of funds or poor implementation. They did, however, have a function

in diffusing opposition to the regime and in reproducing a support base at the local level (although the trick no longer seemed to work in the 2004 elections).

To conclude this section, it is clear that governance modalities have changed in AP. As the governance agenda prescribes, the AP government has, indeed, become more of a facilitator and less of a central actor in economic development. It has started to play, and is still playing, a major role in enabling and stimulating private initiatives in various sectors. At the same time, however, the system of 'old-style politics' has not changed – it has even been reinforced. The regime continued to be populist, and party-building remained a prime concern. In fact, perhaps the main reason behind the introduction of stakeholder groups was exactly that it provided a way to strengthen the ruling party at the local level. Party-building in India requires money and usually involves the (illegal) diversion of development funds. This, indeed, continued to happen in AP during Naidu's regime on a massive scale (e.g. Deshingkar *et al*. 2005). Certain parts of the governance agenda have clearly been implemented rather successfully, but what happened under the label of 'governance reforms' in other areas has helped to reproduce a regime characterised by a powerful populist leader, party brokerage in implementation and corruption.

Conclusion

In this chapter changes that have taken place in India with regard to public management have been discussed. The earlier model, of a planned economy with a large role for the state, has been replaced by a Post-Washington Consensus-model: governance instead of government, facilitation instead of command and control. How this change could happen has been analysed here. It has been argued that the shift has to be understood against the background of larger transformations in India's political economy, in particular shifts within the class of industrial capitalists, and the expansion of the middle class. Although the reforms are biased in favour of particular categories of people, there has been surprisingly little opposition. This, it has been suggested, was partly because the main political parties in the 1990s had some other major concerns (the rise of identity politics) and partly because many people who had been excluded started to see themselves (or their children) as potential beneficiaries in the future.

The practice of governance reforms in one Indian state, Andhra Pradesh, between 1995 and 2004 was examined. Ideas about governance reforms were used by a reform-oriented political leader to strengthen his image within Andhra Pradesh and outside. The state has, indeed, become much more a facilitator of private initiative, rather than an economic actor in its own right. At the same time, some of the governance reforms have also helped to reproduce or even reinforce some characteristics of the polity that they were meant to redress. They offered new avenues for aspirant local leaders; they provided ways for distributing development funds and for keeping these under the control of the ruling party; they did not diminish illegal diversion of funds. This is what the governance reforms, also, really entailed.

There was, hence, no real break with the past. New forms of governance have been introduced, but 'old forms' of public management have not ceased to exist. It is this combination of old and new that made that powerful 'vested interests', which could have felt threatened by the reforms, did not feel the need to oppose them. After all, in the end, 'politics as usual' continued (Jenkins 1999; Das 2005).

Nevertheless, 'real governance' is characterised by important contradictions. This was the case in Andhra Pradesh, but perhaps this is equally true in other contexts. As was mentioned by Hout and Robison (this volume, p. 4), the concept of governance de-politicises: governance is an apolitical form of public management. Political leaders like Naidu have even presented governance as a strategy against politics. The politics of this anti-politics is, however, evident. In its most basic form, governance is a form of public management that gives ample scope for the private sector to develop and even co-govern. In concrete cases, like the one discussed in this chapter, governance is even a straightforward political instrument to further empower an already autocratic political leader and strengthen the ruling party. At some point, one might expect, this contradiction becomes hard to sustain, and regimes claiming to pursue a governance agenda might be judged by the standards they have introduced themselves.[7] Perhaps that could be the welcome start of a new discussion about desirable forms of public management – a discussion that would confront the political choices and dilemmas more explicitly.

Notes

1 Gandhi was murdered in 1948; Patel died in 1950.
2 In 1993, two Constitutional Amendments introduced decentralisation of several government functions to local-level elected bodies.
3 See also Mooij (2007) for a more detailed analysis and similar argument about Andhra Pradesh.
4 India-Andhra Pradesh Economic Restructuring Project, Project ID INPE49385 (available online at: http:// web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P049385). This loan was meant to finance expenditure in neglected social-sector areas, but also to support the government in its economic-reform policies, including cuts in subsidies, reduction of employment in civil service, improvement of expenditure management, strengthening revenue mobilisation and public-enterprise reform.
5 The first figure comes from Kennedy (2004: 39). The latter from the *Hindu*, 20 March 2008.
6 See Mooij (forthcoming) for some examples in the education sector. Out-of-school children were under-reported; school enrolment was over-reported. In fact, several local government officials (such as teachers and health workers) were very fed up with the situation of 'wasting time' filling in forms and showing progress. After Naidu's electoral defeat in 2004, several told me that this defeat was partly related to the fact that their cadre had strategically 'helped' people in the ballot box. This may not explain the electoral outcome, but there is no doubt that the level of discontent about Naidu's managerial style was considerable among these street-level bureaucrats.
7 It could be argued that this happened in Andhra Pradesh in 2004, when Naidu lost the elections. As I have argued elsewhere, there are, however, good reasons to be cautious to ascribe this defeat to the regime's reform orientation (Mooij 2007).

8 The politics of governance of Indonesia's forest industries

Progress and regress in a neo-liberal age

Paul K. Gellert

Introduction

This chapter examines the lack of universal change in the direction of neo-liberal market reforms and governance programmes by analysing the case of forest-sector reform in Indonesia. The 1997–8 Asian financial crisis opened the way for the IMF to impose a structural adjustment programme (SAP), including forestry related conditionalities. Specific policy reforms were promulgated, based on World Bank ideas about governance reform, aiming to establish neo-liberal governance of the forestry sector. However, progress in this direction has been thwarted to a significant degree. As Robison and Hout (this volume, p. 5) point out, hopes that a model of governance reform might be imposed from above via technocratic means within national states and economies have been disappointed. The politics of implementation reveal a range of interests holding different models of governance. As Robison (this volume, p. 17 ff.) argues, the counterintuitive proposition is that 'illiberal regimes' may be the outcome of neo-liberal reform processes.

In order to explore the politics of neo-liberal governance reform in Indonesia, four distinct models of forest governance are identified. To be sure, these are artificially unified models of governance that disguise internal debates and distinctions and actors who cross the boundaries of the models. Yet, these are nevertheless instructive in revealing the actors and dynamics at work in the politics of governance reform. The important point is that there is not a single definition of good governance that all actors agree upon. Rather, each model embodies a distinct set of ideas about what good governance means, who should be implementing it and how.

This chapter begins with a brief depiction of the models of governance referred to above. Second, in order to set the scene for the political conflicts over governance in the last decade, an overview of forestry practices and governance during Indonesia's New Order (1967–98) is provided. Third, the World Bank and IMF efforts to reform governance in Indonesia's forestry sector are explained. Fourth, the other models of governance and attempts to promote them are explored. In the final section, it is analysed why the World Bank–IMF model of good governance was not achieved and what are the prospects for other models being adopted, especially in light of changes in the state of the forest and in the social and political relations of the current period.

Models of governance in the Indonesian forestry sector

There are, it is proposed, four main and distinctive models of forestry governance that may be distinguished in terms of their economic and social objectives, the methods advocated to achieve good governance in the sector and the actors that are their agents and beneficiaries. Each of these also evaluates the environmental degradation from timber extraction and the best ways to redress it differently.

As described in Table 8.1, the World Bank–IMF governance model is a market-led model based on neo-liberal prescriptions calling for transparency, as well as rule of law in the implementation of market-led solutions to forestry problems (World Bank 2006g). The model is based on technocratic assumptions about the processes of implementation and reflects the broad shift from Washington Consensus policies towards emphasis on institution-building and reform as the key to change.

The other three models have their own genealogy but are significantly responsive – both to the first model of governance reform and also to the history of practices during Soeharto's New Order regime. The second or NGO model supports bottom-up social reform intended to address the corruption, collusion and nepotism (KKN) of the New Order. It places conservation and local rights as central principles of good governance. One key proposal of this model is a logging moratorium to allow time for a reconfiguration of rights and responsibilities over forests.

Table 8.1 Summary of forestry governance models

	Models			
	World Bank–IMF Good Governance Model	*NGO Bottom-up Social Reform Model*	*Industrialist Growth Model*	*International Trade Model*
Definition of (good) governance	1. Clear property rights 2. Rule of law	1. Accountability 2. Representation 3. Social justice and equity	1. Legality 2. Success (profit) of domestic industry	Free and legal trade
Methods to achieve (good) governance	1. Transparent regulation 2. Strong legal system	1. Decentralization 2. Shared governance (through democratic processes and/or negotiation)	1. Self-regulation 2. Favourable ('conducive') policies	1. Control illegal logging 2. Certification and chain of custody
Key actors to achieve (good) governance	Government	Communities	Private firms	Regulatory and certification institutions

The third or industrialist model comes from leading forest-industry associations and firms and emphasises recovery and revitalisation of the industry following economic crisis and slumping exports. Principles of economic viability are central to the model of governance advocated here.

The last model is one designed to support regional and global trade put forth by importing nations and firms who are interested in secure and stable access to supplies of legal timber. One key programme of this model is voluntary agreements to limit trade to certifiably sustainable or legal supplies.

The context: new order governance through 'sustainable forest management'

The governance-reform agenda emerged out of a critique of policies and practices of the New Order, and thus a review of relevant governance practices from 1967 to 1998 is a necessary step to understand the more recent period of political struggle over models of governance. Although Suharto significantly liberalised Indonesia's economy, the economy was steered by a 'politico-bureaucratic oligarchy' (Robison and Hadiz 2004) that transformed patronage into a fusion of public authority and private interest.

The forestry sector was dominated by private and state actors who favoured an industrial extractive model of forest development. This model was justified in terms of the developmentalist benefits to the nation and the avowed sustainability of its practices (Barr 2001). The model began with the opening of the forests to foreign investment and trade creating a logging boom in the 1970s and 1980s that enriched forest concession (HPH, *hak pengusahaan hutan*) owners. HPH holders from the military (individually and through organisations known as *yayasan*), large and predominantly Chinese-Indonesian conglomerates and members of the extended Soeharto family accumulated significant wealth (Dauvergne 1997). As part of a national developmentalist strategy, governance of the forestry sector came to be controlled by an oligarchy of timber interests, under the leadership of Mohamad (Bob) Hasan. It aimed at the growth of exports and industrialisation controlled by a small group of domestic industrialists (Barr 1998; Gellert 2003).

The oligarchy was very effective at channelling benefits to itself as the industry expanded into a $4 billion export sector, second only to oil and gas (Gellert 2005). A log export ban, phased in from 1982 to 1985, created depressed domestic log prices, further supported by regulations promoting vertical integration from forest to ply mill. While foreign firms were pushed out, subsidies were offered to the establishment of plywood factories. Already the world's largest tropical hardwood exporter in 1980, Indonesia built a forest product sector accounting for almost 15 per cent of total exports and 30 per cent of industrial exports by 1989 (Simangunsong 2004).

The power of the oligarchy was organised in the Indonesian Wood Panel Association (Apkindo), led by Hasan. Apkindo built on Hasan's personal relationship with Soeharto to discipline domestic producers and accumulate wealth both for its members and for Hasan personally (Barr 1998). In addition, the oligarchy pushed

transnational alliances with importers in key markets such as Japan as part of its efforts to influence market prices and maximise returns from exports (Gellert 2003). With a lack of power centres that challenged the ties between the Ministry of Forestry and the timber industry, governmental rent collection was a fraction of the economically available rent. As their wealth accumulated, members of the oligarchy were rarely disloyal to Hasan's leadership, which was formalised in the last cabinet of Soeharto when he became Minister of Trade.

The timber industry relied on a deepening infringement on local and indigenous rights to forest lands and environmental depletion overcome (temporarily) via the extensification of logging permits. The forests were governed through the Indonesian Selective Logging and Replanting (TPTI, *Tebang Pilih Tanam Indonesia*) system, a complex and contradictory set of rules that formed a 'fundamentally unachievable' sustainable forestry 'paradigm' (Barr 2002: 213). Over 585 HPHs were allocated covering 42 per cent of Indonesia's 144 million-hectare forest estate in Sumatra, Kalimantan and, later, eastern Indonesia (Barber *et al*. 1994).

In the late 1980s and 1990s, amid concerns over deforestation and the declining timber resource base, Indonesia embarked on expansion of timber plantations linked to the establishment of a pulp and paper industry. This move relied upon support from the ministry of forestry. Clear-cutting permits supplemented the TPTI system for 40 per cent of the legal logging by 2000 (Barr 2001), providing redress to the overcapacity of the mills. Investments in pulp and paper mills were supported by the government through interest-free loans from the so-called Reforestation Fund. Initial feasibility studies were provided by the World Bank and the Asian Development Bank (Noor and Syumanda 2006). With an additional $15 billion of international capital support, Indonesia saw a sixfold expansion in pulp and paper capacity to almost 4 million tons and over 1,100 per cent growth in pulp and paper exports in the 1990s (Barr 2001; ITTO 2001).

This expanded industrial capacity created a 'structural timber deficit' of 40 million m^3 in 1997 (Barr 2001). Moreover, the expansion of clear-cutting fuelled conflict and social unrest (Fried 2003). Increasingly, opponents called for an overturn of the system of governance based in KKN that had allowed it to happen (LATIN 1998; Colfer and Resosudarmo 2002). It was the fall of Soeharto in 1998 that opened the door to renewed struggles over forestry governance, reflecting, on the one hand, attempts to preserve many of the central features of the old system and, on the other, attempts to revamp the system towards the needs of global trade or towards conservation and local rights.

The IMF/World Bank model of good forest governance

In the midst of the Asian financial crisis in 1997–8, Indonesia became one of only three countries in the world in which forestry related conditionalities were attached to an IMF structural-adjustment loan, reflecting the ongoing broadening of the IMF agenda (Gautam *et al*. 2000: 75). Interestingly, the details of the forest governance reforms were taken 'off the shelf' of the former World Bank

Forestry Officer in Jakarta (Seymour and Dubash 2000). They rested upon the principles of market and trade liberalisation, as well as legal reform to establish clear property rights.

Perhaps because the World Bank had been so supportive of Soeharto's New Order as the 'jewel' of Western-style development in Asia (Kapur *et al*. 1997) and had recognised the country among the East Asian miracle economies (World Bank 1993a), it appeared frustrated over the persistence of *dirigiste* elements in the regime. After the 1983 liberalisation of the banking sector, the World Bank attempted unsuccessfully to impose conditionality on forestry sector loans (Ross 1996: 176). In 1994, loan negotiations with the Ministry of Forestry came to an impasse, especially where proposed reforms were potentially harmful to Hasan and Apkindo (Seymour and Dubash 2000: 86). The Forestry Officer's 1993 draft report on sustainable forestry (World Bank 1993b) had advocated liberalisation of the forest concession system, dismantling vertical integration and positing a US-style system of auctioning forest lands; liberalisation of trade, including reducing export taxes and eliminating Apkindo marketing mechanisms; and decentralising forest control through revenue sharing and stakeholder involvement in managing the forests (Gautam *et al*. 2000: 69). In refusing to accept this, the Minister of Forestry effectively rejected a $120 million World Bank forestry loan.

Thus, the 1997–8 crisis appeared to provide the opportunity for the IMF/World Bank's governance agenda to be promulgated more forcefully. The second Letter of Intent (LoI) of January 1998 included a surprisingly specific conditionality package related to forest governance (IMF 1998a). Michel Camdessus, then IMF Director, advocated a focus on governance to 'improve the management of [lenders'] public resources' (Camdessus 1998). The inclusion of forestry and environmental sectors in the IMF LoI also was supported by NGO input (Kartodihardjo 1999).

These reforms were followed by related World Bank reforms (Gautam *et al*. 2000; Seymour and Dubash 2000) falling into five main areas: removal of tariff and non-tariff trade barriers; liberalisation of timber markets; liberalisation of foreign investment; improvement of rule of law; and, improved governance. In the heat of the reform moment, Apkindo's marketing monopolies via joint marketing boards in key markets were abolished and timber firms became responsible for marketing their own plywood and other products (Gellert 2007). Also, scheduled reductions in export taxes on logs, sawn timber and rattan and increases in timber stumpage fees were met (IMF 1998b).

However, fuller implementation of reforms proved to be problematic. Already in June 1998, shortly after Soeharto's resignation, IMF documents show mixed results on implementation (IMF 1998b). Forestry Minister M.S. Nasution set up a reform committee to make recommendations to restructure the ministry and draft a new forestry law. This committee's recommendations were mostly ignored in the promulgation of a new government regulation (PP 6) and NGO scepticism led to calls to 'reform the reformists' (Fay and Sirait 2002: 132–3).

Beginning in 1999, the World Bank's forest reform efforts were promulgated through the Consultative Group on Indonesia (CGI) (Rhee 2006; Setiono 2007).[1]

In the post-Soeharto spirit of *reformasi*, and amid a public exposé of vast illegal logging operations (EIA/Telapak 1999) and broader pressures to address not only economic but forestry governance issues, CGI meetings began to be held inside Indonesia, including NGOs in preparatory discussions and as meeting observers beginning in 2000. World Bank country director Mark Baird observed in 2001 that while the focus on forest governance and law might be surprising, failing to address it was a constraint not just on forest management but on development in Indonesia.

The governance reforms came to focus on two areas of implementation: debt and legality. Restructuring of debt accrued by Indonesian conglomerates in all areas of the economy was one key way to achieve leverage in the reform process. Forestry enterprises, especially those that had expanded into the growing pulp and paper sector, had accrued significant debt (Barr 2001). The Minister of Forestry made a commitment at the February 2000 CGI meeting to eight measures, which included closure of highly indebted wood industries under IBRA (Indonesian Bank Restructuring Agency) control and linking the debt write-offs to capacity reduction (Setiono 2007: 2) due to the excessive capacity of the forest industries beyond regenerative capacity of the forests.

Because IBRA had assumed control of assets across the economy with a total book value of 548.3 trillion rupiah (US$78 billion) from the bank recapitalisation programme its influence was potentially huge. The indebted companies under its administration in the forestry sector included 78 per cent of pulp capacity, 58 per cent of installed paper capacity, 60 per cent of plywood capacity and 75 per cent of blockboard. Logging was also affected as IBRA controlled debts related to over half of the HPH (Setiono 2007: 15). The potential existed for IBRA to use this control to improve forest governance via disclosure of supply sources to address illegal and unsustainable supply, thereby reducing the risk ratings on further investment in forestry in Indonesia. In addition, control could be exerted over the recycling of forest firm capital into other unrelated investments.

However, the potential went unrealised. The issue of illegal logging was declared outside IBRA's purview in favour of a narrow focus on debt recovery. Much of the debt was sold at 'fire sale' prices. Over half of the debts were sold to Bank Mandiri, itself a merger of state banks from which the debts originated (Setiono 2007: 30). Ironically, Bank Mandiri is reporting high levels of non-performing loans, 26 per cent in 2006 (Setiono 2007: 16). Ultimately, the lack of debt recovery and other deficiencies of IBRA 'undermined the [soft landing] forest policy' introduced by Minister of Forestry M. Prakosa aimed at reducing legal logging from over 20 million m^3 to 6.9 million m^3 in 2002 and 5.7 million m^3 in 2004 (Setiono 2007: 50).

There were at least two basic obstacles to reform of the forestry sector via the bank restructuring method. First, Indonesian and foreign banks were too weak to force the timber conglomerates to repay debts or to prevent new, more favourable debt agreements and transfer of capital out of the forest industries. IBRA became 'a mere selling agent' of debt, uninterested in altering the prevailing political economy (Setiono 2007; Barr 2001). Second, the President 'failed to reconcile' a

conflict of interests between forestry decision-makers desiring to reduce pressure on natural forests and economic decision-makers still seeking to extract timber for profit.

The second key area of IMF/World Bank implementation concerned the question of legality. Despite increasing pronouncements on the costs and dangers to the economy of illegal activity, the New Order had interpreted rule of law as, 'essentially a political commitment to keep order and to not expropriate foreign investments' (Ohnesorge 2003: 101). There was some debate over whether issues of corruption and rule of law were so important and whether steady economic growth and the expansion of the manufacturing sector in the region were actually facilitated by the high levels of corruption (Robison and Rosser 2000). For policy-makers, post-crisis analyses came down firmly in favour of the claim that rule of law was crucial to economic development against a history of interventionism and non-transparent patronage politics (Ohnesorge 2003).

Two of the key definitions and related methods to achieve better governance embodied in the World Bank's approach are transparent regulations based on clear property rights and rule of law based on a strong legal system (see Table 8.1). Establishment of clear property rights has faced the changing terrain of decentralised control, including a struggle between national and local governments, as well as increased demands by local communities and indigenous groups for recognition. Establishment of rule of law also faced challenges from within the politico-bureaucratic oligarchy. The question has become not whether the law will be implemented but whose law will be implemented (Ohnesorge 2003). For example, Prakosa's soft landing was challenged by regional leaders who wished to benefit from allocation power over permits.

The forestry governance agenda has lost steam since the financial crisis and political transition. The lack of success of the CGI reforms was 'predictable' as it repeated earlier failed attempts (Rhee 2006: 234). In large part, governance reform was caught between the recalcitrance of the industrialist model and its powerful supporters and the NGO models and critics (see the next section). Yet reform was also supported by donor organisations and scientific research organisations, such as the Centre for International Forestry Research (CIFOR). Even the government of Indonesia and the Minister of Forestry joined the calls for reform, although internal divisions weakened the support. Prakosa's soft landing was balanced by support for industrialists who blamed developed, consuming countries for causing the illegal trade problem (Obidzinski *et al*. 2007; Rhee 2006: 260). Prakosa's successor, Malam Kaban, and the government of Susilo Bambang Yudhoyono have continued to be divided over the issue of production versus sustainability.

Throughout, the World Bank has continued to consider 'engagement' with the political elites in the national capital – but increasingly also in Aceh and other regions – to be a *sine qua non* for its work in Indonesia. In attempting to re-establish its presence in Indonesia and also addressing concerns raised by World Resources International (Seymour and Dubash 2000) that the structural-adjustment reform model was poorly implemented, the Bank engaged in a series of public consultations in 2004 and 2005 with a variety of stakeholders from government, business,

academia and activist groups. The meetings were held in several key provinces of Indonesia, recognising the increasing role of districts in decisions over forest and other resource management issues.

When the World Bank (2006f, 2006g) published a new forest strategy document, the position on governance had changed subtly. Rather than privatisation and liberalisation, the document declared: 'Forest governance is a tangible entry point for engagement on decentralisation and democracy, conflict and injustice, poverty and vulnerability.' This position was confirmed by a Bank officer in Jakarta who took the position that he and the Bank were now interested in broader issues of social justice around the forest, but that in order to achieve these aims, a programme palatable to the Indonesian government and timber industry was required (author's interview). As the Bank renewed its activities in forestry lending, it asserted that the Ministry of Forestry was (finally) becoming 'more open and responsive' with 'progressive forces' in the Ministry who have thwarted 'potentially damaging' projects (World Bank 2006h: 2).[2]

The Bank, however, contradicted this progressive approach by arguing that 'poor forest governance damages the investment climate, rural economic potential, and Indonesia's competitiveness and international reputation' (World Bank 2006h: vii). Thus, as governance moved into its third phase (Hout and Robison, this volume, p. 5), the Bank redefined governance by linking its arguments to a strategy of renewed economic growth and (foreign) investment. Controversially, building on a synthesis of studies from the Ministry of Forestry, CIFOR and a UK aid project (Brown *et al*. 2005), the Bank's approach included investment in plantations. Rejecting the status quo scenario that projected collapse of supplies by 2019, the Bank promoted the expansion of plantations to replace natural forests both for pulp and paper and solid-wood products. Difficult issues (Brown *et al*. 2005: 22) such as gaining trade-association assistance in improving transparency were not addressed.

NGO bottom-up model

While the neo-liberal World Bank–IMF model of good governance emphasises clear property rights and rule of law, the NGO model shifts the emphasis to the rights of local communities that have been affected negatively by logging and land clearing for decades. This model defines good governance in terms of democratic practices, such as accountability and representation, social justice and equity. Rather than strengthening national legal systems and liberalising the national and international market relations, the bottom-up model seeks to strengthen local, community and indigenous rights through decentralisation and collaborative governance.

Two particular aspects of governance have been stressed by Indonesian NGOs: ending KKN and reformulating policies and practices via the mechanism of a logging moratorium. Since poor environmental and social outcomes are blamed on the corrupt, excessive and oppressive practices of private firms backed by the state and military (EIA/Telapak 1999, 2002; Noor and Syumanda 2006), improve-

ment requires reining in their power. Since the poverty of communities is considered an outcome of exploitation, local control and rights are central principles of the NGO position.

NGOs were important to and initially supportive of the power of the IMF to impose conditionalities and potentially bring down leaders of the sector such as Hasan. Some of the elements of the reform package, such as weakening the Apkindo cartel and making the reforestation tax more transparent, had long been part of NGO campaigns and legal actions. Coalitions under INFID (International NGO Forum on Indonesia and Development) and WALHI (Indonesian Environmental Forum) supported conditionality, albeit tactically and with 'ambivalence' (WALHI 2000). To the NGOs, good governance was defined by respect for the traditional, *adat*, rights of the millions of people living in or near the forests and a reduction of the power of the 'crony capitalists' who had benefited from growth during the New Order. Specifically, the NGOs rejected the liberalisation of the palm-oil sector and demanded improved transparency in loans, as well as attention to environmental and social impacts of projects.[3]

A wide variety of non-governmental groups contributed to the debates about how to reform unjust and unsustainable policies (Colfer and Resosudarmo 2002). For example, undercover NGO reporting on the growing illegal logging crisis bolstered government statements in favour of reform (EIA/Telapak 1999). University foresters and student activists spearheaded the creation of the Community Forestry Communications Forum (FKKM) with the aim of altering the paradigm from forest resource management, supported by the extractive industry and its allies in the Ministry of Forestry, into a forest *ecosystem* management paradigm (LATIN 1998: 57). Importantly, a national alliance of indigenous communities called AMAN (*Aliansi Masyarakat Adat Nusantara*) emerged from protests against plantation conversions and supporting recognition of indigenous rights (Li 2001). Their demands centred on land reform and indigenous land rights, and denied the government's long-standing claims to the forest estate for the national welfare (Contreras-Hermosilla and Fay 2005).

Support and ambivalence faded into disenchantment in many quarters as non-governmental inputs were ignored. As early as 1998, the NGO LATIN was arguing for 'reforming the reformists' because of their lack of resolve or political will truly to reform the forestry sector away from the KKN of the New Order. The influence of FKKM and others on the new forestry policy was evaded in the last instance by internal machinations in the Ministry of Forestry. An interdepartmental committee on forestry intended to support commitments made as part of the CGI meetings by coordinating forestry affairs with other government departments was basically inactive except when prompted to meet by foreign aid agencies (Rhee 2006). While NGOs clamoured in support of decentralised control of the forests, the Ministry of Forestry became concerned about regional government allocation of forest-cutting licenses and sought to re-centralise control (Gellert 2005). After the closing of IBRA and the recapitalisation of the forestry related firms, the hopes of a working group on forest finance (IWGFF) 'faded into scepticism' (Setiono 2007: 3).

In 2001, four NGOs, WALHI, INFID, FWI and KPSHK, concluded that the CGI process was failing and called for an immediate end to illegal logging and conversion of natural forests for plantations (Down to Earth 2001b). To strengthen the government's commitment not to convert more forests into plantations, this formal call for a moratorium on large-scale commercial logging advocated giving the forests 'breathing space' (Down to Earth 2001a). The logging moratorium idea was widely regarded as unrealistic among policy-makers and foreign advisors and was not taken seriously (author's interviews, 2004 and 2005) given the continued importance of a US$9 billion export sector. WALHI (2007), however, has continued to advocate a total moratorium, phased in over three years and applied for at least fifteen years.

The political support for this proposal remains weak. The industrial foresters model does not allow for such disruption to production, and the regional and global trade models, despite attention to illegal timber, do not envision an abrupt moratorium. Yet, the surprising election of former Free Aceh Movement (GAM) rebel Irwandi Yusuf as Governor of Aceh in 2007 gave it some traction. In April 2007, Yusuf declared that there would be a complete logging moratorium in Aceh, at least in part to prevent military operatives from continuing to gain from the illegal sale of timber. It is too early to evaluate how effective this ban will be, and public officials in Jakarta were quick to point out that Aceh's post-war situation was unique.

Industrial foresters' governance model

The industrial model defines good governance in terms of legality and the successful domestic industrialisation of the forestry sector (Ohnesorge 2003). There is some veracity to the industry's claim of threats to the industry's future – central-government reductions in permitted logging, regional-government allocation of permits, direct and sometimes violent actions against logging camps and competition from foreign producers who rely on illegally imported logs from Indonesia. These changes have created divisions within a once-united, extractive capitalist sector, opening more opportunities for some actors.

With the political clout of Indonesia's powerful economic and political oligarchy behind them, the large-scale industrial foresters had long resisted the efforts of the IMF and World Bank, as well as some government officials and leaders, to implement significant reforms. The ITTO (International Tropical Timber Organisation), the Indonesian Forestry Community and a variety of wood-products associations stressed, in particular, the economic benefits deriving from forestry (cf. Freezailah 1993: 4). Amid criticisms in the 1990s, Apkindo chief Hasan suggested, 'One solution to lighten the government's burden would be to turn the administration of the production forest areas over to the people who would benefit most: *the timber companies*' (Hasan, cited in Poffenberger 1997: 467).

To be sure, the IMF/World Bank model has made inroads. The Apkindo marketing system was dismantled, and Hasan was jailed for several years for abusing government funds. However, market liberalisation began to be reversed

when the log export ban was reinstated in October 2001. In December 2002, the industrial model was supported by a renewed system of regulation via a public–private partnership to revitalise the industry called BRIK (*Badan Revitalisasi Industri Kehutanan*, Wood Industry Revitalisation Agency). All firms exporting forestry related products were required to hold a new licence to export wood products. BRIK coordinates and controls the collection of mill reports on wood consumption and log-transportation documents that, critics note, are often forged or sold illegally.

The industry model rejects any notion of downsizing the industry. Restructuring has been reframed by the industrial association leaders as revitalisation (Suarga *et al*. 2004; Gellert 2008). Importantly, broader governance reform was thwarted in the financial restructuring of the indebted forestry companies. Both the soft-landing policy of Minister Prakosa and the logging moratorium were rejected as dangerous to the Indonesian economy. Industry association leaders occasionally recognised that some downsizing and regulation may be inevitable but still added the caveat that government actions should be 'proportional' – presumably to the power of the model's supporters (interviews 2004, 2005).

Nevertheless, World Bank (2006f) analysts have noted the era of one monolithic industry viewpoint has ended. Some actors are willing to criticise the largest and most powerful players, and some sub-sectors, such as saw mills and furniture producers, have enjoyed the end of Hasan's dominance and vertical integration that prevented gaining access to wood. At the same time, direct military involvement in illegal logging activity, including inside national parks, seems to have increased over the prior emphasis on providing security to legal logging operations (EIA/Telapak 2002; McCarthy 2002). Although a 2004 law requires the military to end all business activities within five years, progress has been slow. Others, particularly the large plywood firms, pine romantically for the higher prices and steadier control of the prior political economic governance regime. Overall, these industrialists still unite in the face of regulation and maintain secrecy in the face of calls for transparency.

The industry frequently blames illegal trade and decentralised control for their difficulties obtaining raw materials, which has led to plywood-factory closures in the past five years. Supporters of the regional trade models have argued that illegal trade is immense and highly significant, accounting for anywhere between 40 and 88 per cent of Indonesian logging (Greenpeace 2003). The current Indonesian government has made addressing illegal logging a priority. However, the deeper problems in forest governance are caused by the legal but destructive practices of the sector and their continued backers. For example, the BRIK system allows vast quantities of timber that are 'technically illegal' (Obidzinski *et al*. 2007: 533) but administratively legalised to enter into normal trade channels.

International and regional trade model

The expansion of illegal and quasi-legal timber flows has met with some opposition from a new model of forestry governance focused on assuring the legality of

trade. This model stresses that consumers are the ultimate source of the problem and that without demand there would not be a market. Thus, like conflict diamonds, illegal or conflict timber should be addressed via the market. At one level, this model builds on the industrial model by focusing on the legality of trade. It also adheres to the neo-liberal model that 'rule of law' is pre-eminent and becomes the most prominent yardstick by which the good governance of the forestry sector is measured.

The Forest Law Enforcement, Governance, and Trade process was established (FLEGT 2007). It is administered by the European Union due to the EU and UK's greater concern for issues of legality and ecological sustainability in trade. The FLEGT strategy has followed the burgeoning of bilateral free-trade agreements in its reliance on voluntary partnership agreements (VPAs) between exporter and importer nations. The basic elements of the VPA approach are legal production of timber and a verifiable chain of custody from the forest to mill to market.

There are significant limitations of VPAs and the FLEGT approach. First, implementation has been painstakingly slow. As of 2008, only Indonesia had moved beyond the discussion stage and established a legality standard. None of the countries has a chain of custody system, verification system, licence-issuing authority or an independent authority.

Second, there are limitations with the assumptions of an approach relying on 'green' or 'eco-sensitive' trade. As of yet, importers in Asia have been notoriously insensitive. Although Japan passed a government procurement policy requiring all forest goods and services purchased by the state to be harvested in a legal and sustainable manner, it has relied on BRIK's and the Indonesian government's standard of legality. Chinese imports of timber have been booming, and during some periods of the last several years, there has been significant illegal trade with China (EIA/Telapak 1999) .

Finally, even NGOs are divided on the efficacy of voluntary trade regulatory approaches. Some, large international ones like WWF, WRI and TNC are attempting gradually to build sustainable trade networks. Others, inside Indonesia and internationally, worry that FLEGT does not address deeper problems of community rights, corruption and the gap between supply and demand in the forestry industry.

Conclusion: failures of good governance or other effects?

The intent of the IMF/World Bank governance model to dismantle the New Order model of politico-bureaucratic oligarchy and replace it with a market-led model based in legal and political reform has mostly failed in its implementation. Good governance arrangements related to transparent decision-making in the timber sector and rule of law based on stable property rights in the forested areas of Indonesia have faced the most difficulty. The reasons for failure appear to be attributable to the competing powers behind the various models of governance outlined here.

The government appears divided between the neo-liberal model and the industrial model. The democratically elected government of President Susilo Bambang

Yudhoyono (SBY) put controlling illegal logging at the top of its five-point agenda for forestry. The government agenda also offers elements of the other models, however, such as revitalisation of the forestry industry and people's empowerment inside and outside the forest area. Inside SBY's cabinet, Minister of Finance Sri Mulyani offers support for liberalisation and acceptance of the global-governance model put forth by the IMF and World Bank. She recently observed, 'We believe that good governance and the fight against corruption are critical to achieving our development goals' (Mulyani 2007).

Other cabinet officials are more reluctant to serve what they view as the external meddling of the international financial institutions. Indonesia had ended its programme with the IMF in 2003 and paid off the loans ahead of schedule in 2006. In forestry, despite a series of operations against illegal logging, the big fish have not been reined in. In a recent and egregious case, Adelin Lis was tried for illegal logging but apparently helped out by a letter from Minister of Forestry M.S. Kaban. The letter made a distinction between the illegality of Adelin Lis's logging as a crime that could be prosecuted in the courts and the breaking of an administrative rule that should be sanctioned within the Ministry of Forestry. Yet, impressively in this era of political reform in Indonesia, the Lis case was openly criticised by various members of civil society and the press. However, SBY himself did not intervene (see, e.g., Gunawan 2007; EIA/TELAPAK 2007).

With few backers in the political hierarchy or in the bureaucracy, the NGO model so far appears oppositional and with little chance of implementation. Efforts to influence the drafting of the new 1999 law on forestry and other regulations were largely thwarted.[4] Except for the possible exception in Aceh, few regional governments or local communities seem able to withstand the pressures towards continued commercialisation of the forest, only seeking improved local economic benefits. In the national arena, despite (or because of) middle-class support and staff, the moratorium idea of curtailing logging in a developing economy starved for export income and investment capital seems unlikely to garner widespread backing. There is some support from proponents of the international trade model for improved local control but, as noted above, the narrow focus on legal trade and chain of custody allows little room to address a broader social and environmental justice agenda.

Amid the struggle over models of governance, Indonesia's forests continue to be degraded and converted. This broad continuation of the status quo has not adequately addressed the real social and environmental challenges underlying earlier calls for better governance. The decline of the forest resource base has short-term implications for the industrial model and especially the large plywood-industry firms, which are closing due to lack of sufficient raw materials. In the longer term, the risks of an intensification of struggle from one over trees to land seems likely. Conversion to fast-growing tree plantations, palm-oil plantations – and even expanded conservation to address climate-change concerns – may alter the struggle among particular sectors supporting the industrial model and others favouring the neo-liberal model but, as the state negotiates the terrain between governance models, the bottom-up model will continue to struggle for recognition.

Reformist policy-makers in the government currently lack power and autonomy, opening the door to policy confusion and inability to control vested interests in continued forest resource exploitation.

Acknowledgements

I wish to express my gratitude to the editors for the invitation to present earlier versions of this work at the two workshops at ISS in The Hague. I received valuable feedback from Wil Hout and Dick Robison, as well as Adriaan Bedner, both during and after the workshops, which strengthened the paper immeasurably. Any remaining errors are the author's responsibility. Funding support from an Abe Fellowship (Center for Global Partnership, Tokyo, Japan and Social Science Research Council, New York, USA) is also gratefully acknowledged.

Notes

1 The CGI and its predecessor, the Inter-governmental Group on Indonesia (IGGI), had been coordinating multilateral and bilateral aid and loans to the government throughout the New Order. The IMF lends to the Bank of Indonesia.
2 Potentially damaging projects included those without professional standard feasibility and impact studies, such as allocation of millions of hectares of forest land to a Chinese firm via negotiations with the Vice President.
3 The expansion of plantations of all kinds – pulp trees such as acacia and eucalyptus, palm oil and, recently, trees for 'green' vegetable energy – is an important part of the debate on governance that I do not have the space to elaborate in detail in this chapter.
4 In early 2008, the government wrote a controversial decree (PP No. 2) that allows mining and infrastructure development in forested areas for very low fees.

Part 4

Governance and the perils of participation

9 The politics of entrapment

Parliaments, governance and Poverty Reduction Strategies

Pascale Hatcher

Introduction

This chapter is about the politics of the World Bank's recent interest in mainstreaming parliaments in the Poverty Reduction Strategy (PRS) process. Emphasising participation and ownership, the introduction of PRSs has offered new opportunities for different actors to participate in their country's strategies, most notably Civil Society Organisations (CSOs). While debates have been raging on the quality of CSO participation in PRS, there has curiously been very little discussion over the significant absence of Members of Parliament (MPs) from the process. Until recently, the Bank has been keen to justify such absence by emphasising MPs' long-lasting record of predatory behaviour as well as their lack of capacity. And there is no doubt such behaviour has been endemic in the parliaments of many countries under reform. However, after years of excluding parliamentarians from the PRS process, the Bank has recently developed an interest in them.

This chapter investigates the political ramifications of the Bank's sudden eagerness to mainstream parliamentarians in the PRS process. The analysis suggests that the Bank's enthusiasm does not represent a conversion to a greater participatory model. In fact, while MPs are indeed being mainstreamed into the PRS process, the role they are assigned is overwhelmingly restricted to the narrow window of governance oversight, leaving little opportunity to influence the content of the strategies. This translates into the Bank's decision that it may be more effective to co-opt parliaments and MPs within a functional, techno-managerial system, than excluding them from the entire process and thus risking future interference with PRSs.

Such dichotomy between the participatory narrative and the depoliticised role assigned to MPs points to the greater debate linking PRS to the Bank's attempt to shape new modes of governance in countries under reform. Indeed, the case of parliamentarians and the PRS process contributes to illustrate the broad themes of this book which, as explained by Hout and Robison (this volume, p. 5), analyses the attempt to insulate from political competition a highly political and normative agenda for the reordering of social and political power.

Beyond the clear attempt to infuse legitimacy within the reform process, it is argued that PRSs are mechanisms by which the Bank strives to influence the political fabric of reforming countries. This is to say that in engaging strictly with stake-

holders who have been stripped of their political role, the Bank clearly attempts to construct a new mode of authority. This is a form of neo-populism that bypasses existing political arrangements and substitutes new forms of social contract with newly depoliticised stakeholders. Crucially, PRSs establish technocratic precedents which free the state from what is perceived as the debilitating effects of political bargaining (Jayasuriya 2001: 1). Such a clear anti-political framework brings forth serious concerns in relation to the Bank's failure to acknowledge the benefits of politics as a mechanism for societal deliberation. With this overall political project in mind, the Bank's recent enthusiasm to mainstream MPs within a depoliticised PRS process not only jeopardises the already fragile legitimacy of parliaments as democratic institutions but also raises concerns about the Bank's influence in the very fabric of the democratic process.

The thesis is argued in three sections. First is an analysis of the World Bank's historical stance on parliaments. While the Bank's narrative emphasises countries' ownership and participation in the PRS process, in this chapter the obvious dichotomy between the Bank's official stance and the actual experience of participation in PRS is explored. It is argued that there has been a shift in the Bank's take on parliamentarians' involvement from one in which parliaments are defined as problematic and unmanageable, to one in which MPs are viewed as new allies against corruption and a source of legitimacy for the reforms. The last section investigates this Bank's new stance on parliaments by placing it in the greater debate over the political ramifications of the new aid architecture. It is proposed that the Bank's attempt to substitute the conditionality model for an internalised governance framework clearly seeks to neutralise the political dynamics inherent within the structure of states.

The ambiguity of ownership: parliaments and the PRS process

International aid programmes specifically dedicated to parliaments have historically been designed to fit within the larger umbrella of 'democracy assistance' (Carothers 1999). Prompted by the fear of a communist spread, this type of aid steadily increased from the 1960s onward under the uncontested leadership of the United States Agency for International Development. Today, most of the major bilateral and multilateral donors are involved in the sector at one level or another.

The World Bank, however, has traditionally shied away from direct engagement in democracy promotion and legislative attention. The obvious reason for such choice is rooted in Article IV of the Articles of Agreement of the International Bank for Reconstruction and Development, which clearly emphasises the apolitical nature of the Institution:

> The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations

> shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I.
>
> (World Bank 1989a: Article IV, section 10)

Shifting toward 'a new development paradigm' in 1999 (see World Bank 1999b; Wolfensohn 1999), the Bank's narrative became highly focused on 'country ownership' and 'participation' and as such, national parliaments gradually received more attention. In fact, while the World Bank has done some capacity building work related to parliaments since 1995, it is the Comprehensive Development Framework (CDF) and the following PRS that prompted the institution to give greater attention to parliaments:

> Since the late eighties, a wave of democratization has swept the world … With that dramatic rise [of elected democracies] comes a marked increase in the number of elected officials … It's an impact that has not been overlooked by the World Bank. 'Development clearly works best when the process is country-led and based on partnerships', says World Bank president James D. Wolfensohn. The World Bank strongly encourages parliamentary involvement in the development process … In keeping with this global expansion of parliamentarians, the World Bank has stepped up the ways in which the members of parliament and Bank staff can exchange information and gain greater understanding of the impact of development – both at a local and global level.
>
> (World Bank 2006d)

Today, the World Bank's programmes toward parliaments are initiated via three central sources: the *Development Policy Dialogue Team,* the *World Bank Institute* (WBI) and the capacity building programmes, country offices and country teams. They are also reflected in the Bank's support for partnerships and programmes more generally.[1] These initiatives support the official attempt by the Bank to open up a debate with broader constituencies.

A decade will soon have passed since the introduction of PRSs, which are described as the fundamental mechanism to implement the new aid architecture now promoted by the World Bank. Initiated in 1999, PRSs are a new form of conditionality and a precondition for most of the concessional loans directed to the world's 70 poorest countries (World Bank 2004d). The strategies proposed by countries in partnership with the Bank are required to be summarised in a Poverty Reduction Strategy Paper (PRSP), which covers a three-year period, and agreed by all partners.

Experiences so far, however, have shown little participation of parliamentarians in the process. Eberlei and Henn's (2003: 27) analysis of the PRS experience in Sub-Saharan Africa concludes that: 'little attention was given – in either theory or practice – to the people's representatives, the parliaments'. While some parliamentarians have been said to contribute to the PRS process, the World Development Movement (2005: 18) suggests that the participation of MPs has been limited in more than 26 countries. It appears that in the majority of the PRS cases where

parliaments were indeed involved, the participation was limited to a few MPs participating in workshops, without a link to the institution of parliament itself (Youash 2003; World Development Movement 2005; Eberlei and Henn 2003). Other organisations such as the Overseas Development Institute and the European Commission have also expressed concern regarding the relative failure to involve parliaments in the PRS process (Leautier 2002: 180).

This lack of attention towards the legislative branch is to a certain extent explained by the fact that the democratisation process of many countries, notably on the African continent, is fairly recent. Furthermore, parliaments often face fundamental constraints of all sorts that hamper their representative, legislative and oversight functions. According to the Swedish International Development Cooperation Agency (2002: 24), these failures are often linked to the 'lack of technical expertise, the lack of funds, and the lack of access to information' and 'last, but hardly least, whether parliamentarians have the political will to use their oversight functions'. It is indeed undeniable that parliaments' institutional weaknesses are often linked to the scarcity of resources and lack of institutional infrastructures, such as electoral commissions, an ombudsman, parliamentary oversight committees, highly trained civil servants in both central and local government, police forces, schools and accessible, impartial judicial systems (Commonwealth Secretariat 2003: 12). One might observe however that some of these deficiencies have been directly weakened by more than 20 years of structural adjustment programmes in many African countries.

Crucially, donors' disinterest in parliaments in the last decade is undeniably linked to 'neopatrimonial' tendencies of many parliamentarians, a fact that may shed some doubts on the representative qualities of MPs. In fact, politics is often linked to patronage by which well-connected individual voters expect a direct form of assistance from their MP, which translates into a patron-client form of politics (UNDP n.d.). Eberlei and Henn (2003: 21–4) argue that Africa is plagued by 'neo-patrimonialism', the symptoms of which are 'presidentialism, clientism and the use of state resources for the purposes of political legitimation. In many African countries, members of parliament in particular are still tainted as being part of the system of organised political patronage'.

Beyond such institutional and political weaknesses, however, the poor scorecard of many parliaments does not justify their exclusion from PRSs precisely because their weaknesses are probably no worse than that of other stakeholders that have indeed been mainstreamed in the PRS process. If parliaments are so delinquent, how does one explain the Bank's sudden interest in mainstreaming parliaments in the process?

PRSs have acknowledged the importance of participation by a great variety of stakeholders'. Participation is defined by the Bank as '[…] the process by which stakeholders influence and share control over priority setting, policymaking, resource allocations, and/or program implementation' (World Bank 2006e: 237). A review of the list of such stakeholders suggests however that while the Bank's outreach to non-traditional actors should be recognised as a positive attempt to open up the participatory process, parliament and MPs are simply added to all these other actors – i.e., the general public, the poor and vulnerable groups,

organised civil society,[2] the private sector, the government and the donor community. Indeed such a list of participants might give the impression that the Bank views MPs as just another actor within an undifferentiated pool of stakeholders. As underlined by Youash (2003: 6), parliamentarians' involvement is limited to being part of a checklist with other government stakeholders that are consulted along with line-agency departments (e.g., health, education, social welfare, roads and works), the necessary local governments and state/provincial governments.

The *Sourcebook for Poverty Reduction Strategies,* a compilation of chapters that details the Bank and the IMF views on the PRS and aims to assist countries in developing and strengthening their strategies, does acknowledge that participation on the part of MPs brings forth particular advantages – most notably their distinct ability to bring the input of local constituencies to the national level (World Bank 2006e: 244). However, the Sourcebook rather fails to distinguish between the political particularities of parliament as an official democratic institution and those of other stakeholders such as CSOs. This observation is by no means intended to downplay the importance of civil society as a key stakeholder in the PRS process. The argument rather resides in two distinct facts. On the one hand, 'civil society' is in itself is a very elusive concept (Van Rooy 1997; Biekart 1999; Edwards 2004). Defining it is therefore rarely a politically neutral exercise, as argued incisively by Carroll (this volume, p. 138 ff.). Crucially, it has been the 'private' side of civil society – perceived as more efficient than the state – that has traditionally attracted the Bank to the concept. In such framework, CSOs are seen as having a comparative advantage over the state and the private sector. This highlights the ongoing debate over the 'quality' of the participation process of PRS, most notably which CSOs get to participate and on what subject.

The second issue is linked to the perception of CSOs as legitimate conduit of the voice of the poor they are said to represent. One might recall that donors' interest in civil society emerged out of the troubled waters of the early 1990s, when donors finally addressed the governance predicament of the states under reform. CSOs then became a way to channel donors' moneys away from corrupt bureaucrats and failed institutions. In such a context, CSOs are often perceived as grass-roots organisations benefiting from direct support since their membership participates directly in the projects. In so doing, these organisations are seen as directly accountable to the poor whom they represent through this 'bottom-up' approach. However, CSOs are extremely diversified and they also face accountability problems and legitimacy crises. Yet recently, as underlined by Kamat, there has been a precarious shift in who between the state and civil society bears the legitimate responsibility in promoting the public good:

> In a curious flip-flop of what served as a universal conceptual frame for development planning, the state, today, is represented as fragmented by private interests (otherwise referred to as corruption), and hence inept at representing the will of the people, whereas civil society is seen as the honest broker of 'the people's interests'.
>
> (Kamat 2004: 160)

The World Bank's take on civil society brings us back to the contemporary actor's triangle – state, civil society, private sector – but modifies civil society's legitimate sphere of intervention by narrowing, on the one hand, its legitimate composition – only the poor are legitimate interlocutors, non-poor voices are disregarded – and, on the other hand, by restricting civil society's participation to very specific areas of debate (Lafortune 2003). Crucially, this trend raises questions in relation to the PRS's conceptual absentees: citizens and parliaments.

Parliaments as institutions have been systematically bypassed as possible channels for the participatory process. This highlights the fundamental issue linked to representation and legitimacy at the core of a democratic process. The absence of parliamentarians is rather alarming considering that PRSPs are meant to direct a country's policies for three years. Two issues are at stake here: the legitimacy of a participatory process that neglects the democratic channels already in place, and the erosion of the legitimacy of the already fragile legislature in countries under reform.

Acknowledging parliaments: the quest for legitimacy

The World Bank has increasingly acknowledged its failure to emphasise the important role parliaments could play in the PRS process. Crucially, PRSs were indeed facing an immediate legitimacy predicament which emerged from the obvious failure to involve the representative of the people within the so-called participatory process. For Leautier (2002: 179), the Vice President of the World Bank Institute, the ownership imperative does serve to: 'avoid potential criticisms that policies and priorities are being imposed by the Washington-based institutions'. Furthermore, as CSOs and international advocacy groups are closely monitoring the PRSP progresses, parliaments in all logic must be included in the participation process if the initiatives are to be promoted as being 'owned' by the country. This has been reflected in the PRSP Progress Reports (IDA and IMF 2003; World Bank and IMF 2004), as well as in a report for parliamentarians:

> Overall, though, the role of Parliaments in the PRS process has been limited. This has proved to be a cause for concern for many development partners. Several World Bank reports have raised the issue along with a number of development partners such as the Utstein Group of bilateral donors (the United Kingdom, Netherlands, Germany, and Norway) and the European Union. Individual parliamentarians also have raised this issue.
>
> (World Bank 2005a: 43)

This section looks at the Bank's recent initiatives to mainstream parliamentary involvement in the PRS process. Crucially, it provides an analysis of the specific role it now envisions for the formerly neglected actor.

This recent interest in parliaments has notably been translated into the addition of an annex to the *Sourcebook for Poverty Reduction Strategies* (World Bank 2004d). Although the Bank asserts that the Sourcebook is intended to be only

suggestive, it also states that it reflects the 'thinking and practices associated with the Comprehensive Development Framework, the *World Development Report 2000/2001*, good international practices related to poverty reduction and emerging experience about the effective design and implementation of PRSPs (World Bank n.d. f: vii). In this respect, the addition of an annex in the *Sourcebook* specifically dedicated to parliaments should leave no doubt about the Bank's attempts to amend its former minimalist view of legislatures in the PRS process. The annex indeed recognises the pivotal role they should play:

> Under most constitutions, legislatures are the most representative element of a country's national government. Although in some cases this representative potential has been latent or underutilized due to political conditions or lack of resources, parliaments remain an obvious mechanism for encouraging poor people's input into national poverty reduction policies and ensuring cooperation from a variety of political actors. The representative responsibilities of parliament, as assigned by each country's constitution, provide a greater level of ownership and legitimacy than other participatory methods, such as stakeholder workshops.
>
> (World Bank 2004c: 13)

The annex strives for greater involvement of parliaments in all four components of the PRSP cycle – i.e., poverty diagnosis, development, implementation process and finally, monitoring and evaluation of the PRSP. In terms of poverty diagnosis, the *Sourcebook* focuses on parliamentarians' capacity to 'provide the only political representation for large numbers of citizens from specific geographic or demographic constituencies' (World Bank 2004c: 7). Under the rubric of contribution to development of the PRSP, the *Sourcebook* states that a greater involvement of MPs could lead to greater consensus on PRSPs and thus 'pave the way for smoother implementation over time'. According to the *Sourcebook*, such involvement would not only result in a greater national ownership of the PRS process but would also provide the PRSPs with an existing body of politically active national leaders and staff of varying skill levels and interests (World Bank 2004c: 8). As for the PRSP implementation level, the *Sourcebook* calls for parliamentarian involvement at three levels: budget allocations, legislation and educating the public about PRS processes, programmes and impact. It is stated that parliamentarians' main task should be to align national legislation with PRSP priorities, approve PRSP-compatible budgets and pass PRSP-relevant legislation (World Bank 2004c: 12). The fourth and final component of the PRSP cycle – monitoring and evaluation – emphasises the role of Committee hearings on the impact of PRSPs, an annual review of the PRSP Progress Reports.

The World Bank's renewed attention for parliaments – however commendable – warrants some caution. In a thorough analysis of the *Sourcebook*'s annex, Youash (2003: 13) observes that the suggested take on legislature has thrown the Bank's position from one extreme to the other: from a 'Rubber stamp legislature' to a 'Transformative legislature'. The key point to note is that if the Bank's

previous framework gave few possibilities for legislatures to influence or debate the issues at hand, the annex propels legislatures – at least theoretically – towards its rarest type: one where bodies are capable of both representing and shaping societal demands (Youash 2003: 13). However, as stated by Johnson and Nakamura (1999), this type of legislature is rather uncommon as it aims not only to represent but also to lead. This requires a specific structure not only capable of dealing with differences, but that is equipped with information capacities permitting the initialisation of policies as well. Johnson and Nakamura (1999) cleverly observe: 'Not surprisingly, there are not many examples of such legislatures, and those that do exist do not always live up to the requirements'.

While the *PRS Sourcebook*'s new annex on parliaments does contradict such an interpretation, Youash further observes that the document mentions no implementation processes, an omission that clashes with the surgical attention the executive branch receives in the area of public expenditure in the PRS Sourcebook:

> The difficulty with this leap [of the World Bank] is that no detailed road map is provided for such a transition and more importantly, no guiding logic is provided for making such a shift … What is generated by such an approach is a rather hobbled together set of prescriptions with little substantive reasoning behind them and a seemingly naïve hope that demanding such a role of parliament will immediately necessitate its capacitation for fulfilling the proposed functions.
>
> (Youash 2003: 14)

The Bank's initiative toward parliaments may be analysed through the narrow window of governance oversight in which parliamentarians are indeed invited to play a greater role. However, beyond the Bank's enthusiastic narrative, this is a technical and depoliticised role that narrowly fits governance and anti-corruption objectives.

According to Jean Christophe Bas, Manager of the Development Policy Dialogue at the World Bank, MPs do represent a growing force in many reforming countries. He further observes that: 'some parliamentarians have to approve the Bank's loans which means that if a country director is confronted by a parliament that is reluctant to the reform, he is in a bad shape' (interview, 17 November 2006).[3] PRSs indeed often require that secondary legislation be passed. A greater involvement of parliamentarians throughout the PRS process thus increases the chances for parliamentarians' endorsement if and when PRSPs are submitted to legislatures. As observed in the *PRS Sourcebook*: 'A parliament that has already played an active role in the diagnosis and development of its PRSP will be better able to coordinate such legislation' (World Bank 2004c: 14).

An analysis of the *PRS Sourcebook*'s take on parliament's involvement in the budget cycle is here quite revealing. The *Sourcebook*'s chapter on 'Public Spending' outlines the Bank's given 'good practices in budgeting and public financial management in the context of implementing affordable pro-poor policies' (World Bank n.d. f: 189). It identifies eleven steps in an 'idealised' budget cycle.[4]

As pointed out by Youash, out of these eleven steps, eight require solely the executive to act in policy formulation, one allows for the Auditor-General to review the government's accounts, while the parliament's role in the budget cycle is relegated to the two remaining stages – i.e. steps 7 and 11 (2003: 4). While these given functions are indeed important, they are however quite reductionist: 'With parliament cast in the role of a minor watch-dog [and] by relegating parliament to "inputs-oriented" oversight, any chance of parliament meaningfully contributing to PRSP formulation is confounded' (Youash 2003: 6).

While the Bank's recent discursive shift toward a greater legislature involvement in the PRS process is undoubtedly a reassessment of the scope of 'ownership', it also raises some problems in regard to feasibility. This in turn highlights the implicit duality within the Bank's new aid paradigm, between its discursive stance and the reality of its implementation measures.

No way out! Parliaments as non-political actors

In this final section the opportunities for stakeholders to not only participate in the PRS process but to actually influence the content of the paper are investigated. In turn, such analysis will lead to the conclusion that the Bank's eagerness to mainstream MPs should be viewed as part of the greater attempt to shape new modes of governance in countries under reform. Crucially, this is a form of neo-populism which seeks to bypass existing political arrangements and to introduce new forms of social contract to stakeholders deprived of any political role.

While PRS experiences have varied across countries, the issue of the genuine opportunity for external actors to influence the content of a strategy has repeatedly been questioned. Beyond the fact that the International Financial Institutions (IFI) used to have the last word on the content of the PRSP – through the Joint Staff Assessment— analysis of experience suggests that input has not necessarily been welcomed on all issues. The World Development Movement (2005: 7) concludes that: 'despite the fine words surrounding participation and "country-ownership", the evidence demonstrates that PRSPs have become a rubber-stamping exercise for conventional Bank and Fund policies'. In its study of 42 PRSPs, the organisation observes that the policies contained within PRSPs: 'bear striking similarity both to each other and to the standard prescriptions of the supposedly defunct Washington Consensus' (World Development Movement 2005: 10). The report finds that on average, a PRSP contains six out of nine standard IMF and World Bank policies.[5] The main findings are summarised as follows:

- Trade liberalisation: there are further trade liberalisation measures in 30 of the 42 PRSPs on top of the significant trade liberalisation that has already happened in many of these countries;
- Privatisation: 38 of the 42 PRSPs include privatisation, and 27 of these specifically include water privatisation or greater private-sector involvement in water-supply services;
- Deregulation: 26 PRSPs include investment deregulation;

- Fiscal stringency: 40 out of 42 PRSPs include fiscal stringency (World Development Movement 2005: 10–11).

Such obvious similarities amongst PRSPs suggest that stakeholders' influence has been quite limited, a trend that might not change with an increased parliamentarian involvement in the process. In fact, parliaments' participation has so far overwhelmingly been circumscribed to ratifying the PRSPs, as was the case in Senegal and in Mali (World Development Movement 2005: 17). Crucially, in some PRS countries, the failure to include parliaments in the PRS process has bluntly been anti-constitutional (World Development Movement 2005; McDonald 2005). Following an analysis investigating the role played by parliaments during the implementation of PRSs in 28 African states, Eberlei and Henn (2003: 9) came to a similar conclusion, stating that the marginal role played by parliaments in Sub-Saharan Africa in PRSs not only contradicted democratic principles, but had in some cases breached explicit constitutional rights.

Obviously, the very risk of funding cuts if conditionalities are not met remains a key incentive for MPs to refrain from challenging the content of a PRSP. Beyond such underlying rationale, experiences have revealed that even when MPs have indeed voiced their concerns regarding certain policy reform backed by the executive and the IFI, such concerns have rarely been taken into account. The World Development Movement (2005: 28) documented several examples of parliamentary opposition to IFI policies in Bangladesh, Cameroon, Georgia, Ghana, Honduras, Kenya, Kyrgyzstan, Malawi, Moldova, Mozambique, Tanzania, Uganda and Zambia.[6] It is quite revealing to note the existence of an international petition signed by 1,100 MPs which is calling for donors to acknowledge the importance of parliamentarians' involvement in the economic policies of their respective countries:[7]

> We therefore call on the BWIs [Bretton Woods Institutions] and their principal shareholders to ensure that the democratically elected representatives of recipient nations are the final arbiters of all economic policies in their countries. It is vital that national parliaments in recipient nations have the right and obligation to be fully involved in the development and scrutiny of all measures associated with BWI activities within their borders, and hold the final power of ratification. Ensuring the primacy of sovereign national parliaments in this way will improve implementation of measures to reduce poverty, enhance good governance, and foster democracy.
>
> (World Development Movement 2004)

Such trends suggest that there is an urgent need to question the very definition of the concept of 'ownership' promoted as being the force behind the PRS process. While the *Sourcebook* states that 'Preparing or strengthening a PRS is expected to be an interactive, iterative process' (World Bank n.d. f: viii), countries' experiences show that the concept would be better understood in terms of 'commitment' to the IFI-backed reforms. This suggests that the participatory process should by

no means be viewed as a stage for political debates that might lead to the adoption of alternative national initiatives to the orthodox policies promoted by the Bank. It is with the underlying understanding that a governance framework facilitating a market economy requires an effective legislative branch, that parliamentarians are invited to play a greater role in the PRS process.[8] Crucially, the key political and economic reforms remain the product of negotiations between the IFI, Finance Ministries and Central Banks, leaving little space for the function of political representation within the process.

This clash between the participatory narrative and the experiences of stakeholders in the process highlights the greater debate over the Bank's controversial attempt to create new forms of authority in countries under reform. It is vital to recall that the PRS process itself emerged out of the troubled waters of the structural-adjustment period and its failure to foster economic growth and tackle poverty. As bluntly stated by Khalifa Ababacar Sall, a Senegalese MP and member of the Parliamentary Network on the World Bank: 'PRSP is the result of the failure of 25 years of economic policies' (interview, 18 September 2006). The 1990s were harsh on the now defunct Washington Consensus. Beyond the end of the cold war, which led the former communist countries to experiment with new forms of states, the East Asian experience led to much soul-searching amongst those who had previously advocated the strict implementation of the Washington Consensus. Furthermore – and to the great dismay of the multilateral organisations – the former communist countries transitioning to market-oriented economies were accumulating failures. Adding fuel to the fire, an increasingly organised international civil society was succeeding in turning global public attention towards the environmental and social impacts of the structural-adjustment reforms. As summarised by Robison, by the end of the 1990s:

> The task of unleashing the market had proven to be much easier than that of building the systems of social and political governance within which markets may be regulated and protected from what neo-liberals regard as the vagaries and uncertainties of politics.
>
> (Robison 2006a: xii)

The tensions brought forth by the Washington Consensus indeed called for a major readjustment within the neo-liberal framework. If neo-liberals have been keen to transform power relations in order to embed the market since the counter-Keynesian revolution, the more recent institutional framework proposed by new institutional economists, Joseph Stiglitz and the World Bank, reflects the ongoing divisions within neo-liberalism on how to achieve such goals. While the proponents of the *laissez-faire* strand of neo-liberalism believe that the state's role should be limited to removing obstacles to market efficiency, it is the second strand, which suggests that the state should intervene in order to create the appropriate institutional settings for markets to function (Gamble 2006: 21), which now feeds the aid reform. The ensuing Post-Washington Consensus (PWC), while firmly entrenched in orthodox economics, represents an attempt to expand the neo-liberal frame-

work onto the political and social realm of countries under reform (cf. Fine *et al*. 2003; Robison 2006b). The momentum gained by the PWC thus represents a new stage of neo-liberalism: neo-liberal institutionalism (Robison 2006b: 5). As argued by Jayasuriya (2006: 237), the current shift is in fact a 'political and an economic project that aims to create new forms of statecraft', what he calls the 'new regulatory neo-liberalism'. Gill's (1995; 2000) extensive work on disciplinary neo-liberalism suggests that this rise of neo-liberalism represents a shift in the form of discipline being exercised, a shift in favour of the discipline of the market. Within such framework, institutions are seen as essential to protect the market order from political interference (Jayasuriya 2003: 3).

There is no denying the fact that the Bank – and the greater donor community – had to address the governance predicaments of countries under reform. Obviously there is a long-standing frustration in dealing with corrupt leaders. The key problem, however, as becomes clear in this volume, is raised by the Bank's attempt to substitute the conditionality model for an internalised governance framework, a framework that clearly seeks to neutralise the politics inherent in the state structure (Campbell 2005; Harrison 2004; Hatcher 2007). In other words, the new aid architecture attempts to neutralise the political forces that might veto the reforms – i.e. market-enabling policies, the primary aim of which is to liberalise and stabilise markets. This then becomes a *political project* with the objective of freeing the state from what is perceived as the 'debilitating effects of political bargaining' (Jayasuriya 2001: 1). Crucially, however, this fails to acknowledge the benefits of politics as a rationale for societal deliberation, a process that allows the social to influence the economic realm.

Such framework gave way to the PRSs, which are here viewed as the main vehicle by which the Bank is trying to implement its revised political project. This does explain the existing paradox at the heart of the PRS endeavour where on the one hand, great emphasis is given to ownership and participation principles, while on the other hand, macro-economic and other pivotal issues appear to remain well beyond the reach of stakeholders.

In engaging with parliamentarians via the PRS process, the Bank is undeniably on political ground, a fact that should already give rise to great prudence considering its founding Article which clearly states the institution's apolitical nature. Crucially, however, the techno-managerial task assigned to parliaments within PRSs sets alarming anti-democratic precedents. In bypassing the political role of parliaments, the PRS process represents a neo-populist form of governance which substitutes the representative model for a technocratic form of rule. It is a form of neo-populism that seeks to bypass existing political arrangements and to substitute new forms of social contract with individual stakeholders. It is revealing that to this date, in the majority of the PRS cases where parliaments were indeed involved, it was limited to a few individual members of parliament participating in workshops, without a link to the institution of parliament itself (Youash 2003; Eberlei and Henn 2003). Political parties are also strikingly almost completely absent from the Bank's literature on parliaments.

Crucially, the World Bank's techno-managerial take on parliaments bypasses the

political intricacies at the heart of the fundamental issue of a countries' resource allocation. The new agenda fails to acknowledge the political foundations of development economics and is thus blind to any political and economic alternatives to the technocratic framework it advocates. This is indeed quite revealing of the dichotomy between on the one hand, the ownership narrative which states that there should be no imposed blueprint in terms of reforms, and on the other hand, the fixed set of 'good' practices that should nevertheless be applied by governments. While this also echoes the dilemma faced by other stakeholders involved in the participatory process – such as the members of civil society – it is crucial to recognise that parliamentarians remain the sole official representatives of the people.

Acknowledgements

I wish to thank Richard Robison for his comments on this chapter. I gratefully acknowledge the support received as part of a Garnet Network of Excellence mobility grant.

Notes

1 *Development Policy Dialogue Team*: the Vice Presidency for Europe runs the Bank's Development Policy Dialogue Team, which is the principal point of contact for parliamentarians and parliamentary organisations at the Bank. Officially, 'it facilitates policy dialogue with elected officials worldwide and connects parliamentarians with relevant Bank units and Bank country offices and with other constituencies such as academics and youth' (see World Bank, available online at: http://web.worldbank.org).

World Bank Institute: the WBI is the capacity development arm of the Bank, which is presented as 'the world's largest source of development assistance' (World Bank 2006a). While historically it focused on individual MPs, it now focuses on 'enhancing the capacity of parliament as an institution of governance' (World Bank Institute, Parliamentary Strengthening Program Brochure, available online at: http://www.worldbank.org/wbi/governance/parliament/index.html). The WBI works with the Bank's country teams to integrate capacity development activities into Country Assistance Strategies. Through its capacity building courses, the WBI has trained over 4,000 MPs. The Parliamentary Strengthening Program of the WBI aims to 'assist parliaments in playing their constitutionally designated role in governance process'.

Parliamentary Network on the World Bank: created in 2000, the PNOWB is a network that mobilises parliamentarians to address global governance and poverty challenges, to promote transparency and accountability of international development and offers a unique platform of dialogue between parliamentarians and the World Bank. See Parliamentary Network on the World Bank, available online at: http://www.pnowb.org/.

2 Civil society is defined on the World Bank's website as including: community groups, non-governmental organisations, labour unions, indigenous groups, charitable organisations, faith-based organisations, professional associations and foundations (World Bank at: http://www.worldbank.org/civilsociety).

3 Jean Christophe Bas has actively contributed to the creation and the design of the Parliamentary Network on the World Bank (PNOWB).

4 According to the *Sourcebook for Poverty Reduction Strategies* (World Bank n.d. f: 192), the eleven steps of the Budget Cycle are:

Cabinet Supported by Ministry of Finance: step 1 – projecting macroeconomic resources; and step 2 – setting of budgetary guidelines and expenditure ceilings.

Sector Ministries: step 3 – prepare line-agency expenditure proposals.

Ministry of Finance: step 4 – proposals appraised by Ministry of Finance and negotiated with line agencies to enable reconciliation of proposals; and step 5 – state budget prepared by Ministry of Finance.

Cabinet: step 6 – budget approved by Cabinet and submitted to Parliament.

Parliament: step 7 – budget appropriations debated and approved by Parliament.

Ministry of Finance: step 8 – funds released by Ministry of Finance and budget executed by line agencies.

Sector Ministries: step 9 – accounts submitted by line agencies and compiled by Ministry of Finance.

Independent Auditor: step 10 – government accounts audited.

Parliament: step 11 – approval of audited accounts by parliament.

5 Furthermore, the report cautions on the fact that most of the analysed countries have been under reform for the past 15 to 25 years. As such, reforms prior to the PRSP would not be mentioned in the document but would nonetheless continue to be implemented (World Development Movement 2005: 11).

6 Details on these cases can be found on the World Development Movement website, available at: http://www.wdm.org.uk/democracy/parliament.

7 According to the International Parliamentarians' Petition 2005 Annual Report, by the end of 2005, the petition had been signed by over 1,100 MPs in 55 countries. The World Development Movement states that it has been endorsed by the Parliamentary Network on the World Bank; UK All-Party Parliamentary Groups on Debt, Aid and Trade, World Government and Overseas Development; the Committee for a Democratic UN; the Committee of the Parliaments of the Americas (COPA); European Parliamentarians for Africa (AWEPA); and numerous civil-society organisations and networks. This is available online at: http://www.wdm.org.uk/resources/reports/debt/IPPannualreport01022006. pdf.

8 Quoted both by the World Development Movement (2005) and Action Aid *et al*. (2005), the World Bank's 'toolkits' for parliamentarians are revealing in such respect. The Bank's privatisation toolkit establishes explicit strategies aimed to overcome MPs' opposition to privatisation. Its stated objectives of communications with parliamentarians are to: 1) Build understanding and support for privatisation; 2) Ensure the timely approval of privatisation transactions; 3) Solicit legislature's input, while managing expectations on the role they have to play (World Development Movement 2005: 27). More importantly, the toolkit would be successful if parliamentarians conclude the following: 'I will support the privatization program with my vote; privatization will benefit my constituents and happy constituents are likely to return me to office' (World Development Movement 2005: 27).

10 Attempting illiberalism

The World Bank and the embedding of neo-liberal governance in the Philippines

Toby Carroll

Introduction

Over the last fifteen years or so neo-liberalism has undergone important changes, from a paradigm largely concerned with economic policy to one that now stipulates a more complex form of governance (see Hout and Robison, this volume, p. 2 ff.; cf. Jayasuriya 2005a). Nowhere has this been more evident than in the area of development. Problems associated with the application of the Washington Consensus (Williamson 1990) have been critical in giving rise to a new approach to the constitution of market society, which specifies the requisite institutional arrangements that liberal markets are now thought to require. Assuming that liberal markets and their complementary institutional matrices present a pathway to poverty reduction, this new neo-liberal development governance[1] builds in particular delivery devices and complementary political technologies that are tasked with achieving and maintaining reform.

Key among these delivery devices are instruments that attempt to deliver neo-liberal prescriptive content. They include development projects and programmes, the now-familiar Poverty Reduction Strategy Papers (PRSPs) and the increasingly 'participatory' Country Assistance Strategies (CASs) of the World Bank (the most significant multilateral innovator and promoter of the new neo-liberal development governance). Specific political technologies, which are intimately connected with the aforementioned delivery devices, are also drawn in to shape the political terrain towards reform delivery and guarantee 'lock in'. Prominent amongst these are a progressive-sounding language (the lexicon of which includes words like 'ownership', 'empowerment' and 'holism') and an emphasis upon policy focused stakeholder participation and partnership. These political technologies often operate in tandem with other well-established technologies such as conditionality.

The delivery devices and political technologies of this new neo-liberal development governance exhibit an antipathy towards representative politics, in favour of techno-managerialism (Robison 2006b: 3). They constitute an architecture to both co-opt those elements congenial to embedding and maintaining market reform and isolate those that pose impediments to the constitution of market society. In essence, the delivery devices and political technologies of the new development governance represent an approach to the transformation of both

state and society that sees notions of participation and partnership, for example, conjoined with an essentially top-down technocratic institutional agenda that is pathologically resistant to political representation. As such, these new delivery devices and political technologies warrant substantive attention in any discussion of what is essentially a new approach to development that is both ideological and highly political.

This chapter looks at an example of one of neo-liberalism's delivery devices – the World Bank's 2006–8 CAS for the Philippines – and the political technologies of participation and partnership associated with it. The case study shows how 'partnership' and 'participation' in the new development governance are tools that attempt to constrain political representation in the interest of embedding an ideal neo-liberal state and market society. Here we see the illiberal tendencies of neo-liberalism writ large. Instead of constituting elements within some liberal pluralist project, 'participation' and 'partnership' are rigidly applied to embed and sustain a technocratic agenda, above and beyond political interference. The chapter begins by taking a look at the manner in which participation and partnership, as political technologies within the new neo-liberal governance, relate to its broader policy elements. It then moves on to the case study (based upon extensive interviews with stakeholders involved in the CAS process, see Appendix) to look at the role that such political technologies play within the creation and operationalisation of the CAS.

The nexus between neo-liberalism, partnership and participation

Within the new development governance of the World Bank[2] the logic associated with 'participation' and 'partnership' connects strongly with a narrow reading of civil society, social capital, empowerment and decentralisation, along with neo-liberal macroeconomics (Harriss 2001: 118). Implicitly and explicitly, participation and partnership are targeted towards reform implementation and sustenance. Indeed, both participation and partnership are very much about mobilising social and political support to secure and maintain the neo-liberal market. In this way, the function they serve in tandem with their narrowly defined counterparts, civil society and social capital is an important part of an attempt to construct and maintain hegemony in the classical Gramscian sense. Here, 'civil society' – 'that is the ensemble of organisms commonly called private' (Gramsci 2000: 306) – separate to 'political society', or the state, is important to develop and maintain a historical bloc. Within the new neo-liberal governance 'civil society' incorporates those NGOs and other actors supportive of and/or necessary to institutionalising a neo-liberal conception of both state and society. Notably, varying degrees of emphasis are placed upon the functional contributions that specific quarters of civil society are thought to have in relation to areas such as service delivery, economic efficiency and accountability of the public and private sectors. The crucial point here, however, is that within neo-liberal governance civil society always relates to the embedding and maintaining of market society. As such, no room exists for the

input of those groups that have ideas for both state and society that significantly counter the market project.

In practice, as is evident in the case study detailed below, what the Bank typically attempts to nurture and manage in its participatory processes and partnership arrangements are those combinations of actors that are thought to facilitate the constitution and sustenance of market society. This resonates strongly with what Jayasuriya has called 'new welfare governance' – that is, a form of governance that seeks 'to create New Liberal subjects and institutions whose purpose and ends are shaped by economic imperatives that are seen to be inimical to pluralist politics of interest' (Jayasuriya 2005: 2). Rather than expanding the space and opportunity for participation, the Bank's approach necessarily attempts to contain it within specific boundaries. This is because the functions that participation and partnership are accorded within the new neo-liberal governance are not actually tied to an expansion of political representation but are actually mustered into action for the express requirement of building consensus around market citizenship (Jayasuriya 2005: 5).

The Bank's recognition of a role for participation (and its increasing engagement with NGOs) goes back some way, beginning significantly during the 1980s when a greater acceptance was afforded to social and environmental issues, as a result of major large-scale Bank-assisted projects, such as dams on the Narmada River in India and transmigration in Indonesia (Davis 2004: 4). The Bank established a learning group on participation; the group defined participation as 'a process through which stakeholders influence and share control over development initiatives, decisions and resources which affect them' (Adams and Rietbergen-McCracken 1994: 36). Stakeholders in this sense were seen as 'those people – as individuals or institutions – who either affect or are affected by the Bank's policies and actions' (Adams and Rietbergen-McCracken 1994: 36). Development efforts were seen as having a better chance of success if important stakeholders *felt* that they had a 'genuine stake in the outcome'; the absence of participatory initiatives would result in 'the harbouring of resentment and wilful obstruction when projects or policies are imposed' (Adams and Rietbergen-McCracken 1994: 36).

The Bank's present emphases upon participation and partnership are now ubiquitous elements in both its public profile and its programmatic and project work. It currently maintains its own 'Participatory and Civic Engagement' webpage, which is explicit about the need for participation and the links between it and those organisations that are increasingly referred to as 'civil society' (World Bank n.d. a). Here, civil society is seen as an 'agent of development alongside the market and the state' and is perceived as critical in 'building necessary consensus for economic reforms' (World Bank n.d. d). Civil-society organisations (CSOs) are now apportioned roles in service delivery, providing transparency, and 'fighting inequality and exclusion' (World Bank n.d. d). The case study on the Philippines in the next section makes clear that the Bank's efforts to engage with 'civil society' encourage the carefully calculated participation of stakeholders in the constitution and maintenance of what Gill has called 'disciplinary neo-liberalism' (2000).

Participation, partnership and the World Bank's Country Assistance Strategy in the Philippines

A CAS makes a good case study for assessing the incorporation of participation and partnership in the new neo-liberal governance precisely because it deals with, among other things, matters at the heart of the relationship between state and citizen. A CAS is a key Bank document that details the way in which the organisation is involved with a country over a certain period of time (typically, though not always, four years). It includes an assessment of how the Bank perceives the performance of its own portfolio in the country. It also incorporates an appraisal of the way in which the Bank perceives the country's performance in relation to implementing the sorts of reforms the organisation promotes and defines opportunities for future lending and reform initiatives (World Bank n.d. b). The CAS is *not,* however, a negotiated document.[3] A given Bank country office prepares a CAS to be submitted to the Bank's board for approval and it very much remains an 'internal document'. Despite this, consultation processes play an increasing part in developing a CAS. Indeed, client governments have increasingly been brought into the CAS development process along with other 'stakeholders', including 'NGOs, women's groups, trade unions, youth groups, farmers' associations, and the private sector' (World Bank n.d. d). Such groups are seen as important because they generate 'ownership of the CAS to both the government and the people of the client country' (World Bank n.d. g).

Participation in developing the 2006–8 Philippine CAS

The 2006–8 CAS for the Philippines was submitted to the board of the Bank in April 2005. The decision for the CAS to cover a three-year period instead of the more common four-year term was undertaken to fit into the six-year election cycle in the Philippines and the six-year Medium Term Philippine Development Program (MTPDP). The CAS is connected to the MTPDP, as the country's own vision for development (World Bank 2005e: 9–10), which in other countries could take the form of a Poverty Reduction Strategy Paper. Once a country has a development plan, like the MTPDP, it opens up the potential for a CAS to be developed (interview, April 2005). The Bank has to make an assessment of whether there is an alignment between the government strategy and what the Bank can and wants to do, in order to isolate the areas where the Bank Group can have an impact (interview, April 2005). Crucially, what is important from the Bank's perspective is that the government has the will to fix the problems that exist (interview, April 2005).

Participation in the context of developing the Philippine CAS is perhaps best analysed through the lens of *consultation,* a focus which, like participation and partnership, stems from internal attempts to address the resettlement and environmental issues associated with the Bank's projects noted above (interview, April 2005; Davis 2004: 5–7). In developing the 2006–8 CAS a consultation process was undertaken that built upon processes associated with previous CASs in 1999 and 2002 (World Bank 2005e: 82). A series of five workshops was held

across the country. It was decided that the main consultation meetings would be multi-sector, involving government (including local government), a broad range of NGOs and religious organisations, and bilateral and multilateral development partners – many of whom had worked on Bank projects (interview, November 2005). Formal and informal meetings 'with key opinion leaders from various sectors and with government officials from oversight and implementing agencies' (World Bank 2005e: 82) were also a part of the process. Additionally, several feedback mechanisms were incorporated (a client survey, CAS completion report and a feedback report to participants), and feedback was received from a government group that was put together to 'coordinate with the Bank Group on the CAS and its substance' (World Bank 2005e: 82). The involvement of youth, a recent priority (World Bank 2006c), was included via conferences and workshops around the country that were organised in collaboration with the private sector, NGOs and the government.

The five workshops involved nearly 300 people (out of a country of about 83 million) (World Bank 2006c: 289). The majority (38 per cent) of participants came from government. Representatives of 'civil society and labour' made up 28 per cent and local government units (LGUs) and members of academia made up 16 per cent and 12 per cent respectively (World Bank 2005e: 82). In inviting participants, the Bank consulted its 'current list of stakeholders', asked the advice of their sectoral, operations and Knowledge for Development Centre staff, along with government and civil-society contacts (email correspondence, October 2005). Importantly, the general public was not invited, 'for fears that people attending might feel constrained to freely discuss their ideas' (email correspondence, October 2005). The government people involved in the CAS consultative processes came from national 'oversight and implementing agencies' and LGUs, with numerous mayors and governors attending meetings (email correspondence, October 2005). The workshops were done 'in partnership with the Government's central planning agency, the National Economic Development Authority' (World Bank 2005e: 82), with the Bank stating that the CAS consultations presented an opportunity for the government to circulate the draft of its medium-term plan – which was being finalised at the time of the CAS consultation process. From 'civil society' a broad list of groups were invited, including NGOs critical of the Bank's work.

The meetings were described by Bank staff as lively and, from the point of view of one staffer, helped to dispel criticisms of the organisation and erase the perception of it as 'shrouded in mystery' (interview, April 2005). This of course goes some way to explaining why, as communication and constituency building exercises, consultative and other participatory processes are perceived as value-adding for the Bank. Giving people and groups a sense that they are providing input into the policy-making process presents a challenge to the perception that the Bank is a monolith, unresponsive to domestic concerns, meddling in domestic politics. Non-Bank participants held a range of views, several of which challenged the notion that the meetings served to dispel criticism of the Bank. Unsurprisingly, groups that saw a potential opportunity for working with the Bank or who had already worked with the Bank were generally more positive about the Bank's

attempt at consultation and the organisation itself. This contrasted markedly with those groups that harboured concerns about political representation, especially with respect to the poor, that lay outside or that were contradictory to the Bank's agenda. Many of these groups were keen to point out the limitations to the Bank's approach to consultation. Others still, deeply engaged in development issues, chose to avoid participating (despite being invited) for these very reasons.

The disconnection that exists between some NGOs and the Bank is at times massive, with neither side often seeing any potential reconciliation of ideas or positions. Part of this disconnection is ideological and stems from the functionalist approach of the Bank towards NGOs that is driven by both ideology and policy implementation concerns. One senior Bank staffer in the Philippines country office could not have made the Bank's functionalist approach to NGOs any more explicit. For this person, there existed three types of NGOs: those that become 'implementing partners', organisations that are solution finders and providers and, finally, groups that effectively operate in opposition to the Bank's operations. It was made clear that while this final group needed to be listened to, it should only be listened to so far (interview, April 2005). The point here is that the rules within the new development governance that detail whether actors and their interests are incorporated or rejected in the process of policy creation and implementation are highly constrained.

The Bank's functionalist approach to NGOs (which are regularly conflated with civil society) is illustrated in the CAS, where frustrations with civil-society organisations are evident:

> In line with participatory governance, the consultations affirmed the importance of greater involvement of civil society organizations not only in monitoring public sector performance but also in planning and implementation of projects and programs. Increasing involvement by civil society organizations, however, would entail not only their participation in meetings and conferences but also increasing their capacity to understand, analyze, advocate and monitor policies as well as programs and projects
>
> (World Bank 2005e: 86)

Here the functionalist limitations upon participation within new development governance are starkly evident. Yet, the boundaries in relation to the Bank's efforts at participation are distinctly political and ideological ones. Indeed, people from several well-known development-focused organisations confirmed such political and ideological divisions as barriers to even a limited form of participation or engagement. Subsequently, the Bank's emphasis upon the importance of achieving the buy-in of all participants – which is seen as important to prevent groups from ignoring 'the process of development' (World Bank n.d. d) – needs to be situated in its functionalist, political and ideological context.

While critical development-focused NGOs in the Philippines were certainly not ignoring the 'process of development', many conveyed, to varying degrees, antipathy and anger towards the process of development advocated by the Bank

and often chose to abstain from the Bank's participatory consultations (including those associated with the CAS) and its work more generally (interviews April, November 2005). Indeed, while some organisations were invited to the CAS consultations, their disappointment at previous attempts by the Bank at consultation dissuaded them from participating in the CAS process.

One theme that emerged specifically in relation to those that did attend the CAS consultation meetings was a criticism that there was insufficient time for questions and the processing of information, not to mention a greater representation of the public (interviews November/December 2005). Such charges were also often combined with a perception that the Bank had the wrong analysis with regard to investment in the Philippines, with an overemphasis upon corruption that excluded, unsurprisingly, attention to liberalisation policies that were seen as hurting the country. Finally, criticism was also levelled at the top-down nature of the CAS consultation, where the Bank was seen as having already formed its agenda. Indeed, a comparison of a series of discussion briefs that was distributed by the Bank at about the time of the CAS consultations as 'informal contributions to development policy debate' (Von Amsberg 2004) with the CAS's final form demonstrates both a glaring sense of continuity and the robust immunity of the organisation to the influence and opinions of the diverse array of participants involved in the consultations. Revealingly, despite the consultation processes, there is no substantive thematic difference between the briefs and the CAS (World Bank n.d. c; World Bank 2005e).

Understanding the manner in which a CAS is produced goes some way towards explaining why this might be the case and why CASs end up looking so similar. A CAS is produced in a step-by-step process, where there are guidelines to work off and numerous World Bank committees of review (interview, November 2005). Once consultation meetings have taken place, the document is then drafted. Crucially, this process includes looking at other CASs. It is then submitted for internal processes of review that take place with the intent of representing all sectors within the organisation. Interestingly, as someone at the forefront of producing the Philippines CAS noted, the people responsible for drafting CASs at the Bank's Washington headquarters work in close proximity to one another in an environment where 'there's lots of knowledge sharing' (interview, November 2005). The Operations Policy and Country Services section of the Bank is responsible for formally standardising the CAS. While a process of discussion and consultation takes place with and to the Bank's board, this does not relate to an issue of approval. Comments come in from the board and are, in turn, addressed. In the case of the Philippines CAS, the Bank's board was essentially concerned with economic risk. Indeed, the lack of progress on the fiscal side and the fact that in the last CAS the Bank never reached its high lending case, which required certain levels of reform for further lending to be extended, were key concerns. This said, the Bank's Executive Directors viewed the CAS as the best they had seen in months and it was recognised as an example of 'best practice', with positive feedback gained from other country offices (interview, November 2005).

This account of the CAS's development gives us an insight into the bureaucratic

production of the document, post-consultation, and the organisational elements that it must pass through, all of which must inevitably help generate the homogenised style that typifies the Bank's published output. Of course this production process heavily circumscribes the capacity for outside influence. Indeed, the most important constituencies that affect the document's end form are those within the Bank. Indicative of this was one Bank staffer noting that, in dealing with CAS reviews, every Executive Director within the Bank has their 'pet concerns' (interview, anonymous, 2005). The inference from this staffer was that these had to be managed. Such interests, coupled with more mundane, ideologically and organisationally constrained bureaucratic processes – not to mention the pressure to lend while promoting reform (covered below) – reveal the pressures that are faced in forging a document like a CAS. Indeed, satisfying such internal demands is more obviously in the immediate interest of those producing the CAS than any other external concern.

'Participation' and 'partnership' within the content of the CAS

Having briefly looked at the boundaries of participation in the production of the CAS, it is now worthwhile charting the manner in which partnership and participation are woven deep into the form of the CAS itself. The annex in the CAS, which contains the completion report for the previous CAS (in fiscal years 2003–5), demonstrates that frustrations with the pace of reform and the direction of the government have generated key areas of concern to the Bank country office. In dealing with this, partnership and participation are allocated critical roles.

Unsurprisingly, given the limitations on the participatory process associated with developing the CAS, the terms, assumptions and the foci within the document adhere, without exception, to a classic new development-governance ensemble based around liberal markets and the institutions that they are seen as requiring. Furthermore, when the core programme outlined in the CAS is linked on a performance basis to the portfolio – determining the amounts of money the Bank will lend – there is little for participants to do in relation to the Bank's activities other than assist the Group in achieving its objectives. What remains to be partnered and to be participated in is, of course, the country programme that the Bank has developed and articulated within the CAS. Here again we see how participation and partnership are part of an architecture designed to achieve and maintain highly instrumentalist, anti-pluralist outcomes.

The following elucidates just how notions of partnership and participation are incorporated in the CAS to deliver a typical new development policy set in combination with what the Bank refers to as a 'strong state'. Importantly, as will become clear, there exist real tensions between the Bank calling for a 'strong state', to rally around and deliver its preferred institutional matrix, and any expanded notion of participation and partnership where politically diverse actors might have the potential to influence politics and institutional form. Indeed, the approach pursued by the Bank heavily circumscribes the nature and function of participation and partnership in a way that expressly serves the organisation's ideological

and programmatic self-interest, which is seamlessly and problematically conflated with poverty reduction and the Philippines' interests more generally.

The 2006–8 CAS shows a thematic focus upon issues of governance and the influence that levels of governance are seen to have upon the investment environment, which is, in turn, automatically linked to the generation of 'the common good' (World Bank 2005e: 8, 13). Subsequently, issues of corruption, and institutional issues more generally, receive plenty of attention as the source of the Philippines' development problems, pointing to what the Bank sees as 'a frail social contract between the government and its citizens' (World Bank 2005e: 13).

Somewhat ironically, however, given the Bank's emphasis upon participation, the CAS is intensely interested in securing the elite grounds upon which change in the Bank's immediate interest can be secured. Indeed, the CAS seems to harbour grave reservations for democratic processes as a way of rectifying this 'frail social contract'. For example, the document states that despite democratic processes, 'governance indicators' show that 'rule of law, political stability and control of corruption are lower in the Philippines than in other East Asian comparator economies' (World Bank 2005e: 23). The answer to such a situation contained within the CAS is not to counteract the Philippines' malignant development (characterised by patrimonialism and chronic inequity and poverty) with the promotion of popular political participation but rather to encourage and support 'islands of good governance' to encourage citizens to vest authority to the state and provide it with resources (World Bank 2005e: 8, 24).[4] Furthermore, as is shown below, the form of state to which authority is to be conceded is highly specified.

Notably, other states within the region are called upon to illustrate the merits of 'strong states' (World Bank 2005e: 23). Yet a strong state here is only desirable when it favours a suitable set of interests. While the Bank's conception of a strong state is set up as a rational-ideal type, in reality of course, it is just another specification of institutions and institutional function compatible (in the short and/or long term) with specific interests (in this case, those associated with neo-liberal reform). The endorsement by the Bank of a particular notion of a strong state is evident in the inclusion of the following quote in the CAS by one of President Gloria Macapagal-Arroyo's advisors, Rigoberto Tiglao:

> There are two essential attributes of a strong state. First, it is autonomous of dominant classes and sectors, so that it represents people's interest, both minority and powerful groups. Second, it has the capacity, represented mainly through a strong bureaucracy, to implement its policies.
>
> (World Bank 2005e: 23)

The representation of people's interests, especially in a situation of persistent underdevelopment is unquestionably vital. However, this conception of a strong state has a distinct political purpose, connected to an already defined understanding of what actually constitutes the people's interest. Here, the people's interest entails a very specific policy set and form of representation (under the 'strong state') that brings us back to the very nature of participation as it exists within new neo-liberal

forms of governance. Returning to Jayasuriya's notion of market citizenship, participation thus relates to granting opportunities for government and non-state actors to assist in the operationalisation of the Bank's project and for the poor to be afforded the opportunities of participating within liberal market society. This last point is clearly evident in the following quote from the CAS that articulates the robust links identified by the Bank between the MTPDP and the CAS and its broad neoliberal strategy based around facilitating the poor's participation in the liberal market:

> The economic and social aspects of the reform agenda supported by this CAS are inseparable. The Philippines poverty reduction strategy, in fact, is integrally embodied in the development strategy of this CAS with its two objectives (economic growth and social inclusion) and two levers (fiscal stability and improved governance). Higher and sustained *growth* would need to be the major driver of poverty reduction through jobs and income creation (despite the lesser effect of growth on poverty reduction under high income inequality). With more *social inclusion* the poor would be empowered and enabled to participate in the opportunities afforded by economic growth, supported by public spending targeted to the poor as well as institutional reforms for market access and participation in decision processes. *Fiscal reforms,* in turn, are essential for growth, for the prevention of crises that inevitably would hurt the poor severely, and for building-up effective social spending that reaches the poor. Finally, *governance improvements* would focus on institutional changes that let the state deliver its core services to all citizens, especially the poor who are often excluded.
>
> (World Bank 2005e: 14)

Participation and partnership are further drawn into the CAS when it comes to issues of reform implementation. Demonstrative of this is an entire section in the CAS (one of three) that is dedicated to looking at the Bank Group's 'Philippines partnership' – a phrase that is often used by the organisation to define, in a collegial-sounding sense, the relationship between a given country and the organisation. The manner in which implementation, partnership and participation are correlated as important parts of a political project that curtails political representation is palpable, revealing, once again, the defence and promotion of the Bank's interest in securing its reform agenda and extending increased lending (which is tied within the CAS to performance benchmarks in areas of reform).

It is not difficult to ascertain where the Bank's country office's concern for implementation comes from. The completion report for the previous CAS (of fiscal years 2003–5), included in the first annex of the 2006–8 CAS, reveals the frustration that the Bank has experienced in relation to reform progress in the Philippines, with the key lessons that it distils focusing plenty of attention upon the agencies and actors that are seen as critical for addressing implementation impediments. The report looks at several areas in making its evaluation, and its production included interviewing Bank staff and managers from Washington and

Manila, reviewing the Philippine portfolio performance, assessing the Bank's performance in meeting the previous CAS's objectives and developing 'lessons for future Bank assistance' (World Bank 2005e: 56). The overall picture that is drawn by the report is mixed. Revealingly, however, the Bank identifies that many of the key constraints to achieving its goals 'were political and outside the Bank's immediate sphere of influence' (World Bank 2005e: 61–2).

The effect that such a situation has upon the Bank's ability to lend is outlined in the same document in an assessment of the organisation's lending performance. Lending is characterised as being lower than planned for fiscal years 2000–4 'because the government did not meet the fiscal triggers (fiscal deficit reduction and revenue enhancement)' (World Bank 2005e: 62). The report sums up by characterising the Bank's performance in the Philippines as 'satisfactory'. However, its key recommendations illustrate the obvious link between a concern for participation and partnership and the pursuit of the Bank's interests. The following three excerpts (not all of which are quoted in full) from the section in the Completion Report indicate the 'key lessons' that the Bank has learnt:

- Build on its strong relationship with the client and continue to strengthen ownership of the program. The Bank will need to: (i) collaborate closely with its clients in operations and fully incorporate their needs and priorities; and (ii) ensure that clients continue to see the Bank's inputs as relative, responsive, and innovative.
- Continue its outreach to political leaders, opinion leaders (i.e., the media), and civil society to build awareness of and promote consensus on the challenges facing the Philippines and the Bank's position on these issues. … Many of the solutions are political, requiring action by the legislature. The Bank will need to continue its 'honest broker role,' but should be realistic about what can be accomplished in the near term.
- Further coherence among Bank projects involving local governments. In the past, local governments were often seen as critical implementers of various sectoral strategies, rather than units of government in themselves. Going forward, local government programs should: (i) strengthen local ownership by addressing their priorities; and (ii) take a systematic approach to key cross-cutting areas such as capacity building and revenue enhancement.

(World Bank 2005e: 65)

It is clear that the concerns within the completion report for the 2003–5 CAS influenced the thematic focus upon participation and partnership in the 2006–8 Strategy. Several examples of the way that this manifests in the 2006–8 CAS as a defence by the Bank of its interests are useful here in order forcefully to make the point. Once again, the emphasis upon the relationship between particular 'stakeholders' (notably government at both a national and local level) and the success or failure of the Bank's objectives is particularly stark. Indeed, the CAS states quite frankly that its 'effectiveness' depends in large part on the 'political appetite for

reform and the pace of change' (World Bank 2005e: 10). This 'appetite' for reform is linked in a scaled way to the potential for expanding the Bank's portfolio during the timeframe covered by the CAS (World Bank 2005e: 46). Subsequently, the importance of partnering with stakeholders, in particular government (including local government), is seen as critical in securing reform, with each receiving significant attention.

Given that the Philippines government is a Bank member, borrower and client, not to mention heavily associated with an important bundle of institutions at the centre of the Bank's agenda, it is unsurprising that it receives so much attention as a 'partner' in the CAS. The required alignment of the CAS with the government's development plan (the MTPDP) is a salient reminder of the importance of this relationship. However, the connection with government (evident in the emphasis upon the relationship between the MTPDP and the CAS) extends to a deeper effort on the part of the Bank to partner government line agencies and LGUs to achieve reform lock-in. All of these are seen as vital to address perceived 'government priorities' such as fiscal reforms, budget and expenditure reforms, civil-service reforms, the streamlining of agency staffing, procurement reform and anti-corruption measures (World Bank 2005e: 32–33).[5]

What is particularly interesting, however, is the attention within the CAS to local government (in the form of the LGUs) as a potentially important development partner. The CAS states that the 'thrust' of the Bank Group's support will be determined by the 'quality and implementation of reforms' (World Bank 2005e: 33) and the identification of those elements that show potential for 'becoming islands of good governance' (World Bank 2005e: 33). Nowhere is this approach more evident than in the evolving relationship between the Bank Group and the LGUs. Indeed, within the current CAS, LGUs receive particular attention as a 'client' (World Bank 2005e: 34–8). As the CAS notes, the Local Government Code of 1991 shifted responsibility for many services to the LGUs (World Bank 2005e: 34). Subsequently, the Bank has strongly recognised the importance of the LGUs in relation to its operations. The CAS states that with their substantive responsibilities for service delivery LGUs are placed 'at the forefront of development and poverty alleviation'.[6] Given the increased focus at the local level, this makes LGUs important 'partners' and 'participants' in the Bank's work. In particular, the Bank is clearly interested in promoting what it sees as well-functioning LGUs as 'islands of good governance', for replication elsewhere, proposing a performance and capacity framework in part for 'strengthening LGU accountability, thereby reinforcing the decentralization process' through benchmarking (World Bank 2005e: 35).[7]

In contrast to the considerable attention given to partnering government, the actual attention given to 'civil society' in operationalising the CAS is almost non-existent, save minor mention of its role in areas such as monitoring government (World Bank 2005e: 47). This is perhaps because the CAS's emphasis upon LGUs somewhat replaces the functional need for the participation of a broader array of actors, which the Bank has clearly found frustrating at times. This is despite the Bank remaining very positive in the CAS about its 'outreach efforts to involve

civil society and beneficiaries in project preparation and implementation' (World Bank 2005e: 28). Indeed, considerably more emphasis is placed upon partnering government (national and local) and other development organisations and multilateral agencies (World Bank 2005e: 49) – a point that seems to stem form purely instrumental concerns.

Conclusion

As the foregoing review of the CAS demonstrates, in the Bank's hands participation and partnership are functionally connected to the constitution and sustenance of market society. Importantly, while the participatory processes associated with the development of the CAS are highly circumscribed, it is within the CAS itself that the political limitations of participation and partnership are perhaps most significantly revealed. Here, participation and partnership are tasked with embedding a very specific type of governance, centred on a strong neo-liberal state. This strong state implies a limitation of popular political influence where people, convinced of the state's legitimacy, cede power to it as a custodian of the market. In short, within the new development governance we see a highly controlled application of political technologies that seek to build constituencies for reforms that themselves relate to a narrowing of the popular capacity to influence the form and function of the state.

Yet the capacity of political technologies like participation and partnership in the new development governance to ensure the constitution and sustenance of market society is far from clear. This results from the inherently political nature of societies, replete as they typically are with class tensions and other asymmetries of power. In many ways, the fact that certain actors find the participatory processes associated with the CAS (a document that charts a new path for both state and society) palatable while others are hostile towards the Bank's approach, or abstain from it altogether, bears this tension out. What the analysis of the CAS consultation processes above reveals is that the boundaries of partnership and participation in the development of a document like a CAS are fundamentally shaped by the ideological, political and interest-based commitments of both the Bank and the diverse array of actors that pertain to its activities.

That the CAS constitutes a new development-governance blueprint *par excellence* – free of any alternative or critical perspectives whatsoever – further demonstrates the limited potential to influence the production of a document like a CAS. However, the blueprint itself is at the core of a project to build a form of market society that also has significant repercussions for notions of representation. Here, a strong state, operating in concert with other congenial development partners, is idealised as a politically insulated market custodian that can help craft opportunities for the poor to participate within the market – an approach to poverty reduction that never entertains the idea that non-market redistribution is necessary to address societal asymmetries. In some contrast with the Bank's rhetoric, yet completely consistent within the strict confines of a technocratic approach to embedding market society, this model's lack of participatory space is further

emboldened by 'civil society's' replacement with those local governments that the Bank views as 'islands of good governance'. Here, the narrowing of political participation in the interest of creating a technocratic state derives from recognising the ascending importance of LGUs and the frustration of the Bank's experience with NGOs in the Philippines. Yet at the centre of the Bank's new development governance, which marries illiberal politics with liberal economics, is an irreconcilable tension between the promotion of a liberal market society and the array of interests (including sections of capital) that take issue with such a project. While the ideological impact of many of the elements within the new development governance may take root in certain quarters of the societies where it is attempted, the realisation of the idealised neo-liberal market society is far from assured, subjected as it is to the realities of politics.

Acknowledgements

I would like to thank Richard Robison, Garry Rodan, Kanishka Jayasuriya, Jane Hutchison, Benjamin Sovacool and Shahar Hameiri for their comments on various drafts of this chapter. The usual disclaimers, of course, apply. I would also like to thank GARNET, the Asia Research Centre and the Centre on Asia and Globalisation for their generous support.

Appendix: Interviews, meetings and email correspondence

Alingasa, M., Executive Director of Cebu Uniting for Sustainable Water Foundation, interview, 2 December 2005.

Anonymous, World Bank, interview, 2005.

Azarcon, L., Operations Officer, World Bank (Philippines), interview, Manila, 11 April 2005.

Bacalso, A., Barangay Captain, Cebu, interview, 30 November 2005.

Bamford, C., Senior Associate, Focus on the Global South, interview, Bangkok, 4 April 2005.

Boncayao, F., Chairman of the Department of Political Science, University of San Carlos, Cebu, interview, 30 November 2005.

Chavez, J., Focus on the Global South, interview, Manila, 22 November 2005

Dela Cruz, Z., President, National Congress of Unions in the Sugar Industry of the Philippines/Treasurer, Trade Union Congress of the Philippines, interview, Manila, 23 November 2005.

Focus on the Global South, meetings with various members, Manila, 15 April 2005.

Freedom from Debt Coalition, meetings with various members, Manila, 15 April 2005.

Hoban, C., Portfolio Manager, World Bank (Philippines), interview, Manila, 11 April 2005.

Hume, S., Country Program Coordinator, World Bank (Philippines), interview, Manila, 21 November 2005.

League of Corporate Foundations, meetings with various members, Manila, 24 November 2005.
Manahan, M., email correspondence, 9 September 2005.
Navarro, C., Philippine Rural Reconstruction Movement, interview, Manila, 25 November 2005.
Pascual, M., Institute for Popular Democracy, interview, Quezon City, Manila, 15 April 2005.
Rama, M., Vice Mayor Cebu City, interview, 1 December 2005.
Serrano, I., Philippine Rural Reconstruction Movement, interview, Manila, 25 November 2005.
Strelkova, L., Country Program Coordinator for the Philippines, World Bank (Philippines), interview, Washington, DC, 4 February 2008.
Sullano, P., Regional Coordinator, Community-based Resource Management Project, interview, Cebu, 30 November 2005
Tordecilla, R., World Bank, Social Development Unit (Philippines), interview, Manila, 22 November 2005.
World Bank, Philippines Country Office, email correspondence, October 2005.
Zosa, V., Director of the Office of Research, University of San Carlos, Cebu, interview, 1 December 2005.

Notes

1 Elsewhere I have used the term 'socio-institutional neoliberalism' (Carroll 2007). This alternative term owes much to the work of Jayasuriya (2005) on 'the new welfare governance'.
2 This approach is also visible in the activities of bilateral development agencies, such as those of the United Kingdom and Australia (cf. Carroll and Hameiri 2007).
3 The Bank explicitly stated this previously, and it was stated to me in an interview with a Country Program Coordinator in the organisation's Washington headquarters, although recently this has been toned down and removed from the CAS website.
4 Paul Hutchcroft (2005), one of the leading scholars on contemporary politics in the Philippines, and interestingly a reference source for the Bank in the CAS, has actually offered an alternative approach to deal with the Philippines' woes, stipulating a desire for strengthening political parties as representative institutions.
5 Additionally, the Bank's Private Sector Platform (within the CAS) also demonstrates an intention to focus on other government-related areas such as lowering costs to business (by strengthening the rule of law) and improving regulatory agencies (World Bank 2005e: 38).
6 The Bank also hosts a Local Government Assistance portal on the web.
7 This 'best-practice' approach mirrors the attention the CAS gives to the Bank's private-sector platform in the CAS, which seeks 'to support successful examples of private-public collaboration that can be replicated and lead to dynamic private-sector led growth' (World Bank 2005e: 38).

11 Civil-society participation in donor-driven governance programmes

Experiences from Central America

Kees Biekart

Introduction

Policies aimed at improving governance are often meant to avoid the real politically contentious issues of power in society, according to Hout and Robison (this volume, p. 4). Along the same lines it can be argued that civil-society participation encouraged by donors in governance programmes is often rather token and limited to calculated stakeholder participation (Carroll, this volume, p. 138). In the debate about formulating and implementing Poverty Reduction Strategies (PRSs) it is therefore often argued that these processes generate little genuine participation by the poor, or by their legal representatives (Hatcher, this volume, p. 123 ff.). Instead, it is sometimes believed that donor-driven participation eventually leads to the strengthening of 'a technocratic NGO policy elite' that is disconnected from the poor and does not enhance their inclusion in the policy process (Gould 2005). Others have argued that, despite all its shortcomings, there is a real potential in these governance programmes when participation is linked to 'rights', generating a range of new opportunities for participatory governance, in particular at the local level (Gaventa 2004).

In this chapter this debate about enhancing participation in donor-driven governance programmes, with a special focus on non-governmental actors, is further elaborated on. By examining a number of limitations, to what extent these actors can facilitate political participation and whether they are actually in a better position to contribute to democratic governance compared to 'official donors' is assessed. In other words, under which conditions would it be possible to overcome the potential obstacles related to externally supported programmes aiming at strengthening civil society, defending human rights and promoting political participation? In that sense it extends the analysis of Hatcher and Carroll (this volume, Chapters 9 and 10) towards a search for new and more viable opportunities for civil (and political) society participation.

Multilateral and bilateral donors have been central to developing programmes aimed at strengthening democratic institutions, modernising public administration and stimulating greater accountability of state institutions. The balance of these donor efforts is, however, rather mixed (Burnell 2000; Howell and Pearce 2001; Adams 2003; De Zeeuw 2005). It can be argued that political reform programmes financed

by the World Bank, the International Monetary Fund (IMF) and also by the regional development banks have had a limited impact on 'deepening democracy' (Adams 2003). Because these programmes are necessarily embedded in larger programmes for market reform, the problems of democratic consolidation have been linked by critics to the social consequences of market reforms and neo-liberal policies in general. For example, Adams (2003: 79), while looking at Latin America, suggested that 'yet because market reforms have frequently intensified societal inequalities, this agenda may actually undermine the prospects for genuine democracy'.

Many of these 'official' governance programmes were actually implemented by a range of non-governmental actors: specialised foundations, service NGOs, human-rights groups and research centres. The reasons for supporting these civil-society groups have been various, but there was (and is) a consensus among the official agencies for the need to create partnerships with civil-society organisations in order to foster a democratic governance agenda, combined with an agenda of neo-liberal economic reform (Weyland 2004; De Zeeuw 2005). This donor support to civil-society groups has therefore been criticised by many scholars as being highly problematic because it distorts local realities by imposing a blueprint upon civil society from the outside. Howell and Pearce analysed the dangers of donor practices in various continents that refuse to be sensitive to local contexts and historical realities, and concluded:

> The dangers range from depoliticising voices for change; creating local organisations in the Western image but that lack local roots and legitimacy; and ignoring local organizational forms that do not fit Western schemas and models; to underestimating the importance of local ownership and autonomy.
> (Howell and Pearce 2001: 233)

The central problem of donor-driven governance programmes is that they suggest certain universality related to a range of challenges in the framework of furthering democratic governance. In his study on political reform in Latin America, Adams (2003: 126–34) summarises these challenges in the following elements: (i) fortifying electoral systems; (ii) promoting institutional reform; (iii) enhancing civilian control over the military; (iv) preserving human rights; (v) stimulating popular empowerment; and (vi) deepening democracy.

In all these elements external donors (multilateral, bilateral, as well as non-governmental) have developed policy agendas and compatible projects and programmes. As noted above, Adams emphasises that an effective contribution of these donors to democratic reform is only possible if the vast economic inequalities in Latin American societies are being tackled simultaneously. Donors will have a limited role here, as 'the emergence of genuinely democratic systems will depend on the energy, determination, and resources of committed individuals within these nations, and the impetus for change must come from the grassroots' (Adams 2003: 134). In other words, broad political participation of all social groups is considered as being essential for the effective functioning of governance. Indeed, it is believed that external donors can facilitate this process.

This idea of increased political participation facilitated by donors is not without risks. Howell and Pearce (2001: 147–8) identified several dangers of donor-supported programmes in relation to strengthening citizen's participation and their organisations: the depoliticising effect of donor support, in which complex socio-political processes simply become a 'project'; recipients of donor funding are instrumentalised around donor priorities and requirements, thereby often weakening their accountability towards their social base; donors claim neutrality for interventions that are ultimately prescriptive, normative, and highly political; donor funding reinforces vertical donor-recipient relationships in civil society, to the detriment of horizontal relationships, generating fragmentation and competition; donors tend to promote 'consensual approaches' that ignore underlying conflicts and power inequalities that in turn undermine these approaches. The overall implication of these evident dangers is that donors are often not strengthening political participation, but rather creating conditions for weakening the democratic process.

Other studies, such as the cross-country study by De Zeeuw (2005), suggest that in post-conflict societies donors are generally aiming for short-term success, leading in the longer term to unsustainable results with little, and even negative, impact on the democratic process. This tension between donor objectives and the complex socio-political context in which they operate is probably the critical reason why many governance-oriented donor programmes end up in a failure. Not only are expectations and agendas different, but the validity of the assumption that external actors can facilitate – let alone 'manufacture' – political participation and democratic governance, can often be questioned.

In order to explore these assumptions in more detail, this chapter examines three recent governance programmes in Central America implemented by non-governmental actors as part of donor-supported governance programmes. Two of these programmes were implemented in Guatemala in a typical post-conflict setting, and one project is comparable to the Philippines case analysed by Carroll (in this volume, p. 140 ff.). All programmes were supported by a variety of external donors and were aimed at enhancing political participation.[1] Contrary to the conclusions in the preceding chapters by Hatcher and Carroll, that were looking more at a macro level, these local case studies suggest that governance-related donor interventions do not necessarily always undermine a more active and participatory role by civil-society groups. In fact, in several cases the opportunities for political participation 'on the ground' even seem to be enhanced.

Defending human rights: non-governmental action to promote reconciliation

The first case is directly dealing with governance and participation, but focuses in particular on human rights in Guatemala. The magnitude of the Guatemalan genocide in the early 1980s was examined by an independent Truth Commission (CEH) which had a mandate to investigate human-rights abuses during the period of armed conflict and to come up with recommendations to encourage peace and

reconciliation. However, the mandate was restricted: the Commission had no permission to attribute responsibility of human-rights violations to individuals, nor was any legal follow-up included.

The need for such a process of so-called 'historical clarification' had been promoted for many years by a number of human-rights organisations and was eventually put on the agenda of the mid-1990s peace negotiations. The establishment of a Truth Commission was one of the key elements of the Peace Accords, mostly due to joint pressure of the international community on the Guatemalan government. The work of the Commission was basically financed by the international donor community, including the US, Norwegian, Danish, Dutch and German governments, with a donation of US$10 million (Plant 2001). The Commission report concluded that over 200,000 people had been killed or disappeared as a result of political violence and that 83 per cent of these victims were Mayas. The report had quite an impact as it was now independently endorsed that genocide had taken place in Guatemala in the early 1980s. This genocide had been repeatedly denied by the military and paramilitary forces, the right-wing parties, as well as by the successive governments that were supported by these conservative layers of Guatemalan society. The success of the report was due to the fact that it was prepared by a highly qualified and motivated staff who managed to process enormous amounts of data in a relatively short period; this well-documented evidence made it difficult for the government and the military forces to undermine the conclusions of the Commission (GAM 2004). Its recommendations generated a detailed post-accords agenda for human-rights defence which was largely implemented. This achievement is remarkable, as the so-called 'dark forces' responsible for the genocide had no political leverage to prevent publication of the Truth Commssion Report: they largely had lost the political momentum in the years after the Peace Accords. But their strong influence in Guatemalan politics had not yet vanished, which was illustrated by the ongoing prominent political role of former president Ríos Montt (generally considered to be the key political leader responsible for initiating the genocide).

An important recommendation of the Truth Commission Report (CEH 1999) was to start exhumations of illegal mass cemeteries. Thousands of civil-war victims and political prisoners had been buried, often after being tortured, in hundreds of mass graves scattered around the country. The motivation for these exhumations was twofold: (i) to bring relief to the relatives; (ii) to collect concrete evidence on the hundreds of massacres of which certain layers of Guatemalan society still claimed had not happened.

The Guatemalan Foundation for Anthropological Forensic Research (FAFG) took the lead in this process, with financial support from the US and Dutch governments, and the Soros Foundation. In a later stage, the project was transformed into a larger multi-annual programme administered by UNDP with the participation of a range of human-rights groups representing the interests of the relatives of the victims. These organisations included the Mutual Support Group (GAM) and Guatemalan Widow's Association (CONAVIGUA).

The programme of FAFG consisted of localising and exhuming a considerable

part of the 626 illegal mass cemeteries throughout the country. Evidence of war crimes was collected and documented by carefully identifying human remains in a laboratory. Apart from trying to identify war victims, signs of torture as well as possible death causes were analysed. A group of a dozen trained forensic anthropologists with international experience (in Bosnia and Rwanda) were leading local teams of volunteers. The legal process was monitored and supervised by the Public Prosecutor, and every site was protected day and night by police officers during the exhumation process. Other than some smaller faith-based organisations also involved in exhumations, FAFG did not allow relatives of victims to do their own exhumations in order to maintain the independent character of collecting the evidence. They did, however, organise psycho-social support by Maya priests and allowed relatives to perform their ceremonies in the area.

In quantitative terms, the programme run by FAFG was both efficient and effective: more exhumations a year were realised (up to a maximum of 65 cemeteries annually), and due to better organised laboratory work one out of every two exhumed victims had been identified. This last element was of course very important for the families of the victims. As a result of FAFG's activities, more people overcame their fear to speak out about massacres, resulting in the identification of even more illegal cemeteries. The estimated total number of war victims actually increased due to the exhumations by FAFG and similar other foundations. The most important effect was, however, that families and relatives were given the opportunity to give the victims a decent funeral, which was a prerequisite for initiating the process of mourning and reconciliation. So far no one has been found guilty or convicted as a consequence of the exhumations, but this may still happen in the future.

The programme proved to be powerful in confronting human-rights abuses in several ways. First, it gave a concrete follow-up to the Truth Commission's recommendation to deal with the suffering of so many relatives of the victims. The driving force of FAFG has been the impressive dedication of the staff and its volunteers, reinforced by the support of human-rights and widows groups that helped to find and identify the remains of loved ones and assist in the careful documentation of historical circumstances of the human-rights violations. Second, as a result, the programme generated tangible evidence of many new massacres, and stimulated affected people as well as perpetrators to speak out, which is a first step to dealing with a painful and dark period in Guatemalan history. Third, due to the support of human-rights groups, the FAFG programme strengthened the organisational capacities of communities, helping them to take legal action, as well as providing mental-health care. It is unlikely that this would have happened if governmental institutions had taken the lead in this process.

On the other hand, the process of exhumation and proper funerals ('inhumation') has not been without tension. The fact that the FAFG anthropologists and archaeologists were relatively young (on average 25 years) and from *mestizo* background did create misunderstandings with the Indian communities and representatives of the associations of relatives. In their young enthusiasm the FAFG professionals did not always do justice to the proper involvement of locals in

workshops to discuss and explain the exhumation process. The communities sometimes felt sidelined, generating tensions between the more technical work and the psycho-social support of Mayan priests and shamans that dealt with the emotional consequences (cf. Kruijt *et al*. 2002).

Interestingly, the US government decided to support the exhumations, probably for understandable humanitarian reasons.[2] But the project gradually became politically sensitive, also due to the fact that, for example, bodies of Israeli military advisors (indirectly supported by the US) were uncovered. It should be recalled that the Reagan administration in the early 1980s continued its boycott on arms sales that had been started under the Carter administration, whilst it did give indirect support to the Guatemalan regime via secret Israeli advisors. US support of the exhumations was crucial to prevent opponents making the work of FAFG impossible.[3] However, US support was not renewed, despite FAFG requests.

The programme initially was considered by other (especially Nordic) donors to be rather technical, making it hard for FAFG to mobilise financial resources. However, when the exhumations were underway and funerals turned into political statements directed against the ruling elites and the government, the same donors did not want to be involved as the programme in their view had become 'too politicised'.[4] The FAFG project at first sight actually looked like a rather neutral humanitarian aid project generated by the recommendations of the Truth Commission. But gradually it became clear that it contained politically sensitive potential as it generated the crucial evidence of a long-neglected genocide by Guatemala's military rulers. Due to committed support by bilateral donors and by UNDP, the programme was transformed into an empowering activity for affected communities and organisations of relatives of the victims. This added directly and indirectly to counter polarisation at the local level and contributed to an atmosphere of reconciliation in civil society which has been seen as a key step towards the longer term feasibility of the Peace Accords.

Alternative conflict-resolution methods: non-governmental action to counter violence

The process of democracy building in Guatemala has been seriously hampered by the way in which conflicts in society have continued to be solved in a violent manner. The use of violence to resolve conflicts had been a central characteristic of the civil war in which political opponents were treated in brutal ways not seen anywhere else in the region. But the end of the civil war and the start of the peace process only changed the nature of violent action. For example, the public lynching of criminal offenders in Indian villages became a serious problem after 1996, the year in which the Peace Accords were signed. Within four years, the UN human-rights monitoring agency registered 176 cases of public lynching in which 635 victims were involved, of which 185 were killed. Another extreme increase since 2000 occurred in the killing of women. According to Amnesty International, between 2002 and 2007 more than 2,900 women were assassinated in Guatemala and in 97 per cent of these cases no suspects were arrested. Amnesty International

speaks of an 'epidemic of violence' that has killed more than 1,500 women in less than four years (Sieder 2003).

The increase of criminal and domestic violence in Guatemala after the end of the civil war can be explained by several factors. Most important is the lack of a properly working judicial system, which has generated a culture of impunity. Some observers have blamed this for the failure to bring human-rights violators to justice, whereas others stress that the vibrant trade in small arms, combined with social disintegration, the increase of migrants travelling to Mexico and the US (often with large amounts of cash) and a predominant violent macho culture has made women vulnerable to this 'femicide'. In addition, other factors are mentioned such as traumatised former soldiers and militia, and the disintegration of the former security system in rural areas. It should be noted that local authorities often abused their powers in the name of acting against insurgents. On the other hand, judges and public prosecutors have been subject to death threats and several of them have been murdered in recent years.

By pointing at social exclusion as a cause for social conflict, combined with high levels of social inequality which in particular affected women and the indigenous minority, the Guatemalan *Institute for Comparative Penal Studies* (ICCPG) entered a whole new field of non-governmental action: tackling impunity by looking for alternatives to improve the judicial system. The problem that ICCPG identified was that only five per cent of every criminal case brought to justice resulted in some sort of punishment, whereas simultaneously prisons are filled with people who committed only minor offences. In the Peace Accord on Strengthening Civilian Power negotiated in 1995 (see GAM 2004), it was recommended to develop alternative forms of conflict resolution. ICCPG therefore focused on reforming the judicial system through a change of mentality of its main officers (judges, prosecutors, police officers, etc.), and by incorporating civil-society groups in countering a culture of violence.

The effects of ICCPG's training courses and workshops were explicitly felt throughout the country. Judges acknowledged that a prison sentence can contribute to more violence and crime, so alternative sentences were welcomed. Prosecutors were taught how to deal with mediation of conflicts, coming up with a solution that was acceptable to all parties and thereby preventing the 'losing party' feeling frustrated and neglected (which, in turn, often can become a new cause for social conflicts). Although the training programmes organised by ICCPG and the Ministry of Justice generated very good results, the problem was that the government provided often insufficient funding to staff these new mediation offices. Despite assurances by the Human Rights' Prosecutor (PDH) – whose office relies entirely on external funding – this is a structural problem for which solutions depend on the political commitment of the government (Sieder 2003).

The programme of ICCPG also included training courses of community groups in dealing with minor social problems, such as solving who was to blame in small traffic accidents, or dealing with conflicts in a neighbourhood between youth groups by using dialogue and to avoid confrontational methods. The effectiveness of this approach was simply lying in a gradual transformation of the judicial

system, generating alternative views on how to deal with penalties and relatively small potential conflict situations (Arditto and Samandú 2001). Even if this was a rather slow process, by pointing at alternative means to counter day-to-day violence, ICCPG managed to deal with the past as well as the current problems. The cruel past of the genocide had after all its influence on the present-day figures of criminal violence that were outlined above. The fact that ICCPG involved civil servants as well as citizens (including criminal youth gangs) in this programme was an important ingredient for longer-term impact.[5]

The success of the ICCPG programmes was partly due to its independence from governmental funding. The programmes were largely funded by European private aid agencies, even though the execution was closely co-ordinated with UNDP and government departments. This connection is crucial, as the training programmes were eventually meant to be integrated into the regular curriculum of formal education for judges. Another key to its success has been the active participation of beneficiaries in the preparation and implementation of ICCPG's activities by using participatory approaches with techniques derived from the tradition of 'popular education' (Jimenez *et al*. 2003).

Citizen's participation in the Honduran PRS process

The third case study is an experience in furthering citizen's participation and is directly related to the Poverty Reduction Strategy Process (PRSP) in Honduras.[6] It was chosen to illustrate that 'calculated stakeholder participation' (Carroll, this volume, p. 137) is not necessarily always disempowering. The experience goes back to the aftermath of hurricane Mitch of October 1998, when rehabilitation projects financed with foreign aid mushroomed. Local NGOs performed a key role in delivering aid to the most devastated areas, in particular in the capital and the Western zone. The indirect effect of the natural disaster was twofold. First, it triggered a multilateral debt relief for a period of 15 years, followed in 2000 by an agreement of the World Bank and the IMF to include Honduras in the HIPC scheme. Second, implicit in the request of the IFIs to elaborate a PRSP document it was needed to consult key civil-society sectors and to involve them in prioritising the poverty reduction programmes. This opportunity was picked up by a network of civil-society groups in Western Honduras to introduce a process of active citizen's participation (Terrazas 2006).

The incentive was that a first round of consultations on the PRS document in 2001 did not lead to a proper incorporation of the recommendations and suggestions from these civil-society actors. From the government's perspective the role of civil-society groups was nothing more than just giving their opinions, rather than being involved in the preparation and implementation stages of the PRS process. The result was a lack of ownership by groups representing civil-society sectors, a problem that has been signalled also several PRSP studies.[7]

The NGO Association of Honduras (ASONOG) therefore took the lead in 2003/4 to start off a participatory process in developing local poverty reduction programmes in the Western (and poorest) zone of the country.[8] ASONOG had

emerged as a network of NGOs involved in post-Mitch rehabilitation work and was financed by a consortium of mostly European donor NGOs. The network argued that, even though it was necessary to approach poverty reduction from a national perspective, the perspective should be bottom-up starting from local realities that had their particular characteristics. The idea was that close collaboration between local governments and local civil-society organisations not only would generate active participation by local citizens to prioritise their needs, but simultaneously would increase the likelihood of strengthening the ownership of these programmes.

The approach of ASONOG was to focus on *mancomunidades*, which in the three regions consisted of twelve clusters of eight to ten relatively small municipalities all located in the same geographical area, in order to deal with the problem of dispersed villages and sparsely inhabited municipalities. This approach would improve co-ordination efforts within the regions and simultaneously it would recognise the specific problems and peculiarities of these municipalities. Citizen's participation in the PRS process was promoted by involving existing civil-society groups, such as *patronatos* (community development committees), the municipal development commissions (a consultative group designated by the mayors), which in some areas were broadened to cover also a group of municipalities (the *mancomunidad*) with a general assembly in which the mayors and civil-society representatives jointly made decisions. In addition, the process involved a number of locally active NGOs as well as governmental commissions (at the departmental level) and regional delegations of a range of governmental institutions and national ministries.

The strategic focus of ASONOG was twofold. On the one hand to create strategic alliances between local governments, local civil-society groups and municipal governments to influence decision-making inside the Departmental Developments Commissions (CODEPs), as they performed an intermediate role between the local and the national level. On the other hand, to make this happen, local poverty reduction programmes were elaborated within the clusters of municipalities (*mancomunidades*) via participatory methods. The latter was realised by first making poverty assessments at the local level, followed by organising workshops at the community level to prioritise needs, which then generated development programmes within the framework of local poverty reduction strategy plans. In this process, ASONOG wanted to guarantee a genuine participation of those citizens that were generally excluded and a match between needs and the actual poverty assessment. Special assemblies were convened, made up of representatives of all layers of local civil society to generate a clear picture of problems, needs and possible solutions to the poverty situation in each *mancomunidad*, even though these needs were often also contradictory.

The organisers were therefore aware that it was not going to be easy to get all these groups involved in a local consultation process in a country in which citizen's participation was historically hampered by high levels of illiteracy, a tradition of patronage, a culture of apathy and intense political sectarianism. ASONOG therefore focused on promoting an active role of civil-society groups in devel-

oping their own proposals, strengthening local spaces for participation and using active methods to democratise existing decision-making structures. The bottom-up approach started by identifying a group of about 30 civil-society representatives in each municipality, generally in close co-ordination with the local authorities. These representatives of six municipalities (together forming a *mancomunidad*) would be convened in an assembly, in which working groups were formed to discuss and analyse particular poverty related themes (education, health, infrastructure, security, production, etc.). Leading questions were for example 'What is the biggest problem within this theme for your community or municipality?', as well as 'Who is mostly affected by this problem, and what is the relationship with poverty?'. Subsequently, possible solutions were identified and analysed. This phase was meant to map the main problems in each particular local region.

A next step was to elect two representatives from each municipality (again in consultation with the local authorities) to serve on a Voluntary Elaboration Team (EPV) of 12 persons, representing the *mancomunidad*. These team members received a targeted capacity training by ASONOG staff in a range of fields: citizens' participation, external debt, strategic planning, participatory research methods, project formulation and policy advocacy. The idea was to develop skills for developing poverty assessments in each municipality via participatory techniques. The team members then started to transfer and apply these skills to local development committees, who in turn collected the information from their communities. This process took a few months and covered inputs from over 60,000 households. The resulting information was processed by the EPVs, with technical support from ASONOG, and resulted in poverty assessments that were discussed by the mayors. The assembly of the *mancomunidad* also discussed these poverty assessment documents, and after extended discussions, finally approved the documents by consensus.

The next stage aimed at elaborating strategies to deal with the poverty situation identified in the poverty assessment documents. In some case municipalities had already developed their strategic plans (PEDMs), but others were only starting to do so recently. The methodology was to convene sectoral working groups, with representation of key strategic community actors, to work out criteria for choosing programmatic priorities in each sector. These discussions finally were incorporated in a joint strategic plan which laid the basis for a local poverty reduction plan. These plans were again discussed by the technical teams and at various levels of the municipalities and *mancomunidades* and eventually approved by the elected assembly. On that basis around 30 concrete poverty reduction projects and programmes were identified in order to make the plan operational. All these time-consuming consultations, assessments and project identifications constituted the core of the participatory process of formulating the poverty reduction strategy at the local level.

However, the local network of NGOs realised that a successful implementation of these project proposals required the support of local regional and national authorities. For that purpose the EPVs worked out an advocacy strategy to lobby governmental institutions at local as well as national levels and international aid

agencies. In particular, the National Consultative Council of civil-society groups, part of the PRS consultative structure, was targeted to promote the locally elaborated PRS documents. By linking up with NGOs in the capital, ASONOG managed to facilitate access for the departmental development commission members to key policy-makers and governmental institutions to rally support for the regional poverty reduction plans. Simultaneously, local school teachers, local radio stations, churches and a number of local NGOs played an active role in translating the outcomes of these national advocacy efforts back to the communities.

Even though the outcome of the PRS process still will have to be assessed in a later stage, the entire process implemented between 2002 and 2004 implied an impressive mobilisation of local initiatives. An estimate of ASONOG was that over a two-year period over 350 local meetings, assemblies and advocacy visits had been realised (Terrazas 2006: 40). The immediate result of these efforts was visible in four different areas. The first was of course the elaboration of local poverty reduction plans, based on bottom-up participatory assessments, which indeed reflected the needs and priorities of the poor. The second result was the creation of new spaces of participation at the level of the municipalities (such as open town meetings), the municipality clusters, the so-called *mancomunidades*, and at the level of the Departmental Development Commissions. All these spaces previously had not existed, or at least had not been actively used by citizens. The third result was that citizens had been actively incorporated in the process of elaborating proposals, looking critically at their poverty situation, leading to the empowerment of many poor citizens that never had been given a role in such a consultation process. Furthermore, and this is a fourth result, the permanent collaboration between municipal governments within the area of the *mancomunidad* generated an economy of scale which individually strengthened these municipalities by sharing technical assistance and international aid resources.

The relevance of the Honduran experience led by ASONOG in promoting participatory approaches towards developing poverty reduction plans is that it generated new spaces for participation as well as empowering previously excluded citizens in an area that was generally marginalised in national government plans. By taking advantage of the national opportunities of a PRS process and linking this with the new legal instruments for decentralised decision-making, ASONOG gave a bottom-up spin to a predominantly top-down procedure. Even though this experience is still very young, and the conditions seem to be more favourable than elsewhere (see the Carroll chapter in this book on the Philippines, p. 148 ff., showing that local groups can be rather conservative), it might well become a key example for PRS processes in other countries (Jong *et al*. 2007).

Implications for participatory governance

As we have seen in other chapters of this volume, most governance programmes implicitly promote a neo-liberal agenda in which participation of stakeholders is applied as a technical measure actually to avoid democratic procedures. This

chapter has worked with the assumption that the emergence of genuinely democratic systems will depend largely on the energy, determination and resources of committed organised citizens that will enforce a process of civil-society strengthening. Even though donors can facilitate this process, it is argued that successful implementation requires that they leave the real action to locally embedded groups (even if these are from the political right). Another assumption central in this chapter stated that governance agendas of external donors often have the opposite effect of what was aimed for. Rather than strengthening democratic governance and increasing participation, civil society in many cases was weakened and political participation actually was restricted.

Based on the three case studies discussed above, these assumptions will have to be looked at more critically. Even though they do point at the distorting effects of donor-supported governance programmes, these experiences also show that there is room for participatory approaches actually leading to improving the conditions for democratic governance. The first condition is a healthy autonomy from (conservative) governmental agendas, creating room for creative approaches in which local groups can use the opportunities for political participation offered by the same government. It appears essential to avoid a simple confrontational strategy towards the initiatives of (national or local) governments. Instead, often it appears to be much more effective to try and work together with the authorities when necessary and to use the newly created spaces to involve excluded groups into a policy-making and decision-making process. The cases of FAFG and ASONOG illustrate that this is very well possible, in particular when cooperation with directly involved authorities generates new synergies. This is not to say that local groups by definition are always benign, or that they are never undermined by conservative forces (such as the oligarchy or paramilitary forces). The point is to create a broad platform that will be strong enough to neutralise these undermining dynamics.

A second condition for the effective implementation of bottom-up participatory strategies is to keep a certain distance from donors and from donor-driven networks and advocacy initiatives and to pursue a proper intervention strategy. ASONOG used these donor-initiated networks only in the last stage of getting its poverty reduction plans financed by external donors, but avoided the use of these networks in the early stages of its local mobilisation strategy. In the case of FAFG donors were used as a useful protection shield against external threats, without giving the donors any influence on the implementation of its participatory approach. The idea was that donors provide resources and are willing to provide diplomatic protection, without interference in the actual implementation of its empowering strategy. This even proved to work in the case of USAID, which under normal circumstances would never have thought to be involved in such a politicised project.

Most important was to involve a variety of local civil-society groups (community based organisations, associations of victims of human-rights abuses, municipal civil-society councils, etc.) from the very start of the programmes as key actors to determine the outcome of governance-enhancing activities. By giving these groups a genuine say in the design and implementation of the programmes it facilitated more ownership of the intervention. The programmes seemed to comply with the

implicit conditions voiced by Adams that local civic action will have to be prioritised to prevent disappointing outcomes. This was mostly elaborated by ASONOG in stimulating the formation of new spaces of interaction and debate (the assemblies) that had not existed before. By using the opportunities provided by the PRS process, ASONOG (as a regional association of NGOs supported by international NGOs as well as by community-based organisations in virtually all municipalities) gave an empowering spin to the elaboration of the local PRS plans, thus converting an otherwise top-down process into an empowering process of bottom-up participatory governance reform. Of course, it can be argued that ASONOG was funded by a number of international NGOs, but these did not interfere in policy choices and were confident in the approach chosen by ASONOG (Biekart 2008).

In all the cases under review the gender dimension was explicitly elaborated. Accepting the proposition that women are mostly excluded in processes of citizens' participation, the programmes gave explicit attention to developing a prominent role for women. ASONOG convened special assemblies for women to discuss poverty assessments and to prioritise needs. The results were later incorporated into the ongoing process of citizens' participation to elaborate the PRS documents. FAFG and ICCPG also identified women as a particular vulnerable group to human-rights violations and gave them the space to elaborate their ideas and claims, without generating negative reactions from others. This gender sensitivity is often less visible in official donor programmes and performed a key role in getting women more prominently involved in the programmes.

The question whether it makes a difference if these projects are funded by 'official' donors or by non-governmental actors therefore becomes less relevant. Even though non-governmental donors are generally more focused on empowering the poor and excluded, and better connected to grassroots organisations, they continue to be external actors. The crucial element is the level of ownership of local groups who are actually establishing (or 'building') the linkages between citizens and facilitate their enhanced participation. The problem of these citizens' groups is to maintain their independence from local governments and reactionary local forces (oligarchy, paramilitary forces) in order to avoid critical political problems such as patronage and political apathy. By insisting on participatory approaches from below, and having the patience to make these processes blossom, the case studies show that non-intended participatory governance in top-down and externally funded donor programmes is indeed possible. As Gaventa (2004), Pearce (2007), Dagnino (2008) and others have argued, it will be a matter of analysing these citizen-led experiences more systematically in order to assess the virtues of bottom-up approaches, despite the often (not intended) undermining role of the international aid business.

Notes

1 The analysis draws on recent field work in Guatemala and Honduras when a few dozen of these externally financed programmes were assessed (Jimenez *et al*. 2003; Biekart *et al*. 2004), and builds on earlier research on civil-society building policies by external donors (Biekart 1999).
2 The US Ambassador apparently was determined to support the programme after having visited the emotional scene of a large exhumation site, even though the advisors of USAID were not entirely convinced of this need.
3 On several occasions FAFG staff members were threatened and an attack on the FAFG laboratory by armed suspects was narrowly prevented due to immediate action by the US and Dutch ambassadors.
4 For example, in July 2003, former General Rios Montt decided to convene a provocative election rally in an Indian village where funerals of the remains of exhumed victims were taking place. Rios Montt, who was in charge of the armed forces during the genocide of the 1980s, publicly argued that the exhumed bodies had nothing to do with the civil war. However, after an outburst of rage by angry widows he had to leave the village.
5 This assessment is based on interviews (in February 2004) with ICCPG staff, as well as assessments by MINUGUA staff (Guatemala City) and an extensive interview with Jazmin de León, Peace Judge in Palencia (cf. Biekart *et al*. 2004: 79–82).
6 This case study is based on fieldwork in 2006 and 2007 in the North of Honduras, together with Rafael del Cid. The results are reported in De Jong *et al*. (2007).
7 See for example the SIDA-supported studies by the ISS research team on the PRS processes in Nicaragua, Honduras and Bolivia (available online at: http://www.iss.nl/prsp).
8 The Western zone borders Guatemala and El Salvador and includes the departments of Lempira, Copan and Ocotepeque.

Part 5

Governance in post-crisis situations

12 Rebuilding governance in failed states

The case of Timor Leste

Andrew Rosser

Introduction

Rebuilding governance in failed states has become a high priority for official bilateral and multilateral international development organisations (hereafter 'donors') in recent years. This concern reflects the increased incidence of state failure since the end of the cold war and growing concerns about the security implications of state failure for Western countries (Doornbos 2005). Yet donors have been remarkably unsuccessful in improving the quality of governance in these states. Lakhdar Brahimi (2007: 2), a former special adviser to the UN Secretary General, has noted that UN 'peace-building' missions have very often failed to imbue failed states with the capacity to maintain internal security: 'about half of the countries where [UN] peace operations were said to have ended in success,' he noted, 'actually fell back into conflict within five years or less.' Similarly, Pei and Kaspar (2003: 1) concluded their review of the US government's attempts to rebuild democracy in post-conflict environments during the past century by commenting that: 'nation-building attempts by outside powers are notable mainly for their bitter disappointments'. Finally, Zuercher (2006) found that while 17 recent UN 'peace-building' operations had been reasonably successful in bringing an end to war, they had been much less successful in terms of other dimensions of governance: re-establishing the state's full monopoly over the means of violence, promoting economic development, rebuilding democracy and enhancing institutional capacities.

Why have donor attempts to rebuild governance in failed states had such limited success? In this chapter it is suggested that a key part of the problem lies in donors' approach to building state capacity. Donor efforts to rebuild governance in failed states have focused on rebuilding the basic institutional apparatus of the state (where this has collapsed) and imbuing this with the capacity to perform certain developmental functions through measures to enhance human-resource levels in the state apparatus and promote administrative and institutional development. In construing state capacity as essentially a reflection of human resource, administrative and institutional considerations, they have ignored the way in which contests between competing coalitions of interest shape what the state can and cannot do. Addressing the coalitional dimension of state capacity building implies that a key challenge for donors in building state capacity in failed states is to resolve

differences between competing coalitions of interest over what capacities the state develops, how these are prioritised vis-à-vis one another, and how and by whom they are exercised. Only when the interests of the major coalitions are aligned will the state have the capacity to achieve anything.

In presenting this argument, the donor approach to rebuilding governance in failed states is summarised and a critique of it put forward that elaborates on the points above. In the following section, the case of Timor Leste is examined, which illustrates well the main points of this argument. In the final section, the implications of this argument for donor strategies for rebuilding governance in failed states in the future is considered.

Before moving on to these sections, however, it is necessary briefly to define the term 'failed state'. The governance literature refers variously to 'failed states', 'collapsed states', 'fragile states' and 'weak states'. Often the terms are used interchangeably. Some scholars distinguish between 'collapsed states' and 'failed states', saying that the former refers to instances where the institutional aspects of the state all but disappear while the latter refers to instances where the state fails to perform key functions – e.g. providing security and welfare for its citizens (see, for instance, Milliken and Krause 2002; Doornbos 2005). According to these definitions, state collapse constitutes an extreme case of state failure. In this chapter, this differentiated understanding of state failure and collapse while, at the same time, emphasising the need to understand state failure in terms of particular configurations of coalitional power and interest rather than the more conventional factors to which scholars typically refer will be employed.

The donor approach to rebuilding governance in failed states

The donor conception of the state emphasises its institutional and functional dimensions. On the institutional side, donors have either implicitly or explicitly construed the state in terms of its legislative, judicial and bureaucratic arms – or what Hewison *et al*. (1993: 4–5) have defined as the 'state apparatus'. On the functional side, donors have construed statehood as involving a capacity on the part of the state apparatus to perform certain functions essential to development. In this respect, they have typically drawn, either explicitly or implicitly, upon Weber's argument that the defining feature of a state is a capacity to exercise a monopoly on the legitimate use of force within a given territory and then added a few capacities related to objectives that reflect donors' development agenda, such as protecting property rights (OECD 2007: 7; UNDP 2004; World Bank 2004g, 2005b: 45, 1997: 20).

Accordingly, donor attempts to rebuild governance in failed states have focused on two main elements:

- a state apparatus consisting of basic state institutions such as a parliament, government ministries and agencies, a judicial system and so on; and
- the creation of state capacity (World Bank 2004g; 2005b; UNDP 2004; Brahimi 2007).

With respect to the former, donors have often been involved in initiatives such as: the preparation of constitutions and laws that provide for the formation of a state apparatus and spell out the division of labour between its three arms (executive, judiciary, legislature); the physical reconstruction of buildings to house each of these institutions where such buildings have been destroyed as a result of violence or war; the recruitment of staff (e.g. civil servants, judges, police officers, soldiers) to occupy the executive and judiciary; and the holding of general elections to produce elected representatives for the parliament. With respect to the creation of state capacity, they have generally focused on training programmes for state officials, the provision of foreign technical experts, the introduction of 'best practice' in administrative systems, the introduction of measures to mobilise financial resources to fund the state apparatus and the adoption of laws that provide incentives for rational behaviour on the part of state officials (World Bank 2005b).

The problem with this approach to rebuilding governance in failed states is that it ignores the coalitional dimensions of governance and, in particular, state capacity. Donors' focus on constructing a state apparatus is relatively unproblematic – it is widely accepted that states require such apparatuses and the construction of a state apparatus is rarely contested. It is what different groups try to do with the state apparatus – rather than the simple fact that there is one – that generates the major conflicts. But donors' approach to state capacity building is much more problematic. The point here is that state capacity is not simply a function of human-resource levels, the extent to which administrative arrangements mirror 'best practice' and so on, as donors assume, but also relationships between the main coalitions of interest in a country.

On the one hand, as Jayasuriya (2004) has argued, the state's capacities tend to reflect the interests and agenda of the dominant political and social coalition of interests. For instance, his work has illustrated how globalisation, which has shifted power almost everywhere into the hands of controllers of mobile capital, has led to a shifting of state capacity away from some parts of the state towards others – e.g. away from line ministries to 'independent' regulatory agencies such as central banks – and away from the state in general towards non-state actors in accordance with the interests of mobile capital controllers. On the other hand, the extent to which state capacity develops also reflects the extent to which the capacity-building agenda of the dominant political and social coalition encounters resistance from other powerful political and social coalitions. Such opposition typically centres on whether the state should develop the particular capacities desired by the dominant political and social coalition, how these capacities are prioritized vis-à-vis one another or the way in which the dominant coalition proposes that these capacities are exercised – e.g. by which particular actors they are exercised. Where the agenda of the dominant political and social coalition does not encounter strong resistance, one would expect the state to develop the capacities this coalition desires. Where its agenda does encounter strong opposition, by contrast, one would expect the state either not to develop these capacities or to do so only partially.

Seen from this perspective, rebuilding governance in failed states is not just about constructing institutions, training officials, promoting administrative and institutional reform and the like. It is also about developing a set of relationships between competing coalitions of interest that enables state capacity to emerge in relation to particular objectives. In failed states, donors generally constitute the dominant coalition of interests, particularly where they account for a significant proportion of state funding because this gives them extraordinary 'structural leverage' (Winters 1996) over the state. Hence, an important factor in shaping the emergence of state capacity in failed states is the extent to which donors' state capacity-building agendas intersect with those of powerful domestic coalitions of interest within these countries. Donors generally present their support for particular capacity-building measures as reflecting a commitment to international best practice, efficiency and rational administration. However, it also reflects the dominance of neo-liberal economic ideas and the material interests that support these ideas and is in this sense a political, as much as a technocratic, agenda. Domestic political and social coalitions, by contrast, typically have their own ideas about which particular capacities the state should develop, how these are prioritized vis-à-vis one another, and who should exercise them. And to the extent that they have power – derived from, say, access to financial resources, occupancy of the state apparatus or an ability to generate violence and instability – they have the potential to resist the donor state capacity-building agenda. The development of particular state capacities in these states thus reflects the extent to which their agendas correspond to or clash with that of donors and, in the case of clashes, the extent to which differences in agendas can be resolved through negotiation and compromise.

In the following section, these points are illustrated using the example of Timor Leste. In this case, it is argued that the success of donor state capacity-building attempts has varied according to the extent of differences between donors' state capacity-building agenda, on the one hand, and those of two powerful domestic coalitions of interest, on the other.

The Timor Leste case

The end of Indonesia's occupation of East Timor in late 1999 brought about the collapse – or, more precisely, the withdrawal – of the state in that territory. The various institutions that made up the state apparatus under Indonesian rule – the governor's office, the provincial and district parliaments and so on – were closed down as part of the Indonesian withdrawal. The senior personnel that had occupied the state apparatus, most of whom were of Indonesian rather than East Timorese origin, returned to Indonesia. Militia violence that followed East Timor's vote for independence in a UN-sponsored referendum in August 1999 – the event that triggered the Indonesian withdrawal – resulted in the destruction of roughly 70–80 per cent of the territory's public buildings, meaning that, by and large, the physical infrastructure of the state apparatus had evaporated by late 1999 as well.

The donor approach to rebuilding governance in Timor Leste

In trying to rebuild governance in Timor Leste since 1999, the donor community has focused on two tasks. The first of these has been reconstructing the state apparatus or, more precisely, constructing a new state apparatus consisting of institutions such as a national parliament, an office of the president, various government departments and agencies, a judicial system, a police force and a defence force. In general, this task has proven unproblematic. Most of the state institutions provided for in the national Constitution that was formulated in the middle of 2001 had been established by April 2006. Of those that had not been established, some (most notably, the Office of the Provedor) were in the final stages of being established (Government of Timor Leste 2006). At the same time, most key state institutions had been given accommodation either in buildings that survived the militia violence or were rehabilitated following this violence. Underlying this outcome was the fact that no major coalition of interests within Timor Leste resisted the construction of a new state apparatus. The Indonesian withdrawal more or less brought an end to any local support that there had been for Timor Leste's continued integration with Indonesia. As we will see, there have been marked differences between the main coalitions of interest over what the state apparatus should do and how it should do it, but not whether it should exist in the first place.

The second task on which donors have focused in trying to rebuild governance in Timor Leste has been state capacity building. In general, they have sought to do this through measures to enhance human-resource levels in the state apparatus and introduce 'best practice' in administrative and institutional arrangements. Donors began their attempts to build state capacity in Timor Leste immediately following the establishment of the United Nations Transitional Administration for East Timor (UNTAET), the UN body that assumed control of, and formal sovereignty over (Suhrke 2001: 2), the territory following the end of Indonesian occupation in 1999. As Patrick Keuleers (2004: 4–5), a UN Policy Advisor on Governance and Public Administration Reform who has written a detailed review of the UN's public administration programme in Timor Leste, has observed, initial capacity-building efforts during this phase 'focused on building government organisational structures and establishing basic legal and regulatory frameworks, systems and procedures, as well as institutional mechanisms for effective resource mobilization and public expenditure management'.

From mid-2000 onward, the United Nations Development Programme (UNDP) took the lead on the donor side in trying to promote state capacity building, having been appointed the lead agency in this area at the donors' conference in Lisbon in June of that year. At abount that time, it introduced a project to support the establishment and operation of a new National Institute for Public Administration, a body intended to provide training in key skills to civil servants. In August 2000, it then carried out a capacity survey that included a training needs analysis for the entire public sector, laying the basis for a major joint government-UNDP capacity-building programme a year later, the Governance and Public Sector Management

Program (GPSM). As Keuleers (2004: 6) has observed, the key objectives of this programme were 'to prepare the ground for the transition to a new administration' and 'to develop and strengthen basic cross-sector capacities essential for the functioning of a lean public administration supportive of a market economy in a democratic system of governance'. As part of the GPSM, UNDP funded the 'Capacity Development for Human Resource Management in the Civil Service' project. This project involved a range of human-resource-related interventions to provide training to civil servants and, in doing so, help develop administrative procedures and regulatory and legal frameworks in a range of areas (Keuleers 2004: 8).

Since independence in 2002, donor-funded state capacity-building efforts have focused on the provision of foreign technical advisers to fill 300 positions in the public administration that were deemed critical to the maintenance of stability within the country and the promotion of development. These positions were identified through a UNDP-led skills audit in October 2001. Of these, 100 positions were categorised as 'stability' positions – that is, critical to the maintenance of stability – while the remaining 200 positions were categorised as 'development' positions – that is critical to the process of development. The UN was given responsibility for funding the stability positions through UN-assessed contributions while the development positions were funded by multilateral and bilateral donors. The vast majority of both stability and development advisors were allocated to the Ministry of Planning of Finance, the government ministry responsible for managing the government budget, reflecting donor anxiety that the programme of general budget support provided by the international community to Timor Leste though the Transition Support Program (TSP) was properly managed. The Communications, Transport, and Public Works, Agriculture, State Administration, Justice, Health and Education Ministries have also been allocated significant numbers of stability and development advisors (Nakamura 2004: 9–10, 25). At the same time, bilateral donors and multilateral donors have funded other international advisory positions in the government, in some cases giving them roles that have overlapped with those of advisors in development positions (Keuleers 2004).

Donors' state capacity-building efforts in the security sector were carried out through separate institutional mechanisms and programmes to those just described, although again under UN leadership. In respect of the police, the UN's civilian policing body, CIVPOL, assumed the lead. During the UNTAET period, CIVPOL focused on recruiting police officers to the newly created National Police Force (PNTL) and providing them with basic training at the rehabilitated Police Academy in Dili. But, as Hood (2006) has observed, it did little else during this time or afterwards to promote institutional development within the police force or the Ministry of Interior, the arm of government responsible for administering the police force. In 2002, growing concern about the PNTL's lack of development in this and other respects led to the formation of a Joint Assessment Mission to examine issues surrounding the development of the police force and, in turn, to an Institution and Capacity-Building Committee under the office of the UN's Deputy SRSG and a series of workshops designed to promote capacity building. It also led to a decision on the part of the Australian and UK governments to launch a

police-force development programme focused on policy development and financial and human-resource management (Hood 2006: 63–8). Following riots in Dili in December 2002, a range of security sector measures, some of which related to capacity building in the police force, were added to the 'Action Matrix' that formed part of the Transition Support Program (TSP), the donor-funded programme of general budget support to the government (Rosser 2007: 69).

In respect of capacity building in the Armed Forces, the Office for Defence Force Development (ODFD), an ad hoc group consisting of military and civilian defence advisors from donor countries, took the lead on the donor side. Formally under the supervision of the Office of the Deputy SRSG but in practice largely autonomous, this body provided planning and management assistance and technical advice to the military leadership as well as running specialised training activities (Hood 2006: 71).

Results

Despite donors' heavy investment in state capacity-building programmes in Timor Leste, these programmes have produced uneven results. By early 2006 the state had developed relatively high levels of capacity in areas such as budget management and the delivery of basic health services (Blunt 2006; World Bank 2005c). In the area of budget management, for instance, it had developed systems for planning and monitoring expenditures, linking expenditures with national development priorities and financial reporting; and it had put in place a system for managing potentially destabilising oil windfalls (World Bank 2004e). In the health sector, it had developed working mechanisms for the delivery of immunisations, water purification, family planning services and maternal care, leading to significant improvements in important health indicators such as immunisation coverage rates, the number of people with access to clean water and the number of births attended by a skilled health practitioner (World Bank 2006b: 1, 2008a).[1] But the state had developed relatively little capacity in other areas such as the maintenance of internal security, the delivery of basic education services and the provision of justice (Blunt 2006; World Bank 2005c; Hood 2006). For instance, there is little evidence to suggest that the state had been able to deliver education services effectively, notwithstanding its success in terms of reconstructing schools and increasing school enrolments – indeed, primary school test results for mathematics suggest that little learning has taken place (World Bank 2004f: 37). Likewise, the country's descent into violence and instability in mid-2006 and its government's subsequent appeal to Australia to help restore order, suggests a low level of state capacity to maintain internal security. Such evidence is further supported by the widespread perception among donor representatives in Dili that the Ministry of Health is capable and performing well, while the Ministry of Education and the departments and agencies involved in the security sector are performing poorly.[2]

The politics of state capacity building in Timor Leste

Why have donor efforts to build state capacity produced such uneven results? Donor representatives have typically explained this outcome in terms of three factors: differences in human capacity, particularly with respect to the leadership skills and managerial talent of government leaders; differences in the degree to which administrative systems and procedures and systems embody international best practices in governance and administration; and differences in the extent to which broader institutional frameworks provide incentives for 'rational' behaviour on the part of state officials. For instance, in interviews with the author, many donor representatives explained greater progress in building state capacity in the health sector than the education sector in terms of the relative personal abilities of the government ministers responsible for each sector since independence.[3] In official publications, donors have focused more on the extent to which government departments and agencies have applied 'best practice' in public administration and established an institutional environment that penalises corruption and incompetence. The World Bank's periodic governance reviews of Timor Leste, for instance, have had a strong focus on these factors (see, for instance, World Bank 2004g). Similarly, the United Nations Independent Special Commission of Inquiry for Timor-Leste (2006: 74), an international body commissioned to examine the causes of the violence that wracked Timor Leste in 2006, concluded that the onset of the violence was ultimately due to a failure of good governance characterised by an absence of sound management practices and institutional arrangements within the security sector bureaucracy.

There can be no doubt that human-resource, administrative and institutional factors have played a significant role in shaping the extent to which the state in Timor Leste has developed particular capacities. But there have also been important political determinants of state capacity outcomes in Timor Leste. Far from being a simple technical exercise, the development of state capacity in Timor Leste has been contested by three main coalitions of interest: international donors, the leadership of Fretilin (the political party most strongly associated with Timor Leste's struggle for independence and the dominant political party after 2001) and their followers within the party and broader society, and the leadership of Falintil (the armed wing of the independence struggle and the main recruiting ground for Timor Leste's Armed Forces, known initially as the FDTL and then subsequently the F-FDTL) and their followers within the Armed Forces and broader society.[4] None of these coalitions has been completely coherent. But while donors have been divided over some particular issues – most notably language policy (see below) – they have shared the same broad neo-liberal democratic state capacity-building agenda. Likewise, while there have been divisions within the Fretilin and Falintil leaderships, centred on personal rivalries, and, in the case of Falintil and its successors tension between commanders from the East and West of the country as well, both groups have shared many objectives and interests reflecting their respective institutional bases and roles in the struggle for independence.[5]

Of the three coalitions, international donors have arguably been the dominant coalition because, as the main source of government funding – indeed, until recently virtually the only source of government funding – they have exercised enormous structural leverage over the state. At the same time, donors have also had significant influence over the state by virtue of their role as the ultimate guarantors of Timor Leste's security. But donors have not been all-powerful. The Fretilin leadership has had the power to challenge the donor state capacity-building agenda by virtue of its electoral popularity and the fact that this gave it control of the national parliament – it won a clear majority of seats in the 2001 national elections for a constituent assembly, which subsequently became the national parliament – and in turn enabled it to place party members in key positions in the state apparatus. The Falintil leadership, by contrast, has had the power to contest the donor state capacity-building agenda because of its control over the Armed Forces and its consequent ability to use force, legitimately or illegitimately, in pursuit of its objectives. It has also had an ability to influence popular opinion and mobilise large numbers of people for demonstrations and other forms of collective action, because many Falintil leaders are widely regarded as national heroes. Most notable in this respect has been Xanana Gusmao, the head of Falintil during the Indonesian occupation and from early 2002 to early 2007 both President of Timor Leste and, in his capacity as such, Supreme Commander of the Armed Forces.

International donors have wanted the state in Timor Leste to develop the capacities required to ensure the emergence and proper functioning of a liberal market economy and liberal democratic political system in that country. For instance, the World Bank (2003a: 1) argued that the country needed to focus on the delivery of basic education services because education 'provide[s] a foundation for democratic discourse through literacy', helps to 'increase productivity' and 'provide[s] skills and abilities for an increased formal workforce'. Similarly, it envisaged at the start of its health-sector projects in Timor Leste that these projects would 'contribute to an increase in labor supply and productivity, as well as to improved educational outcomes' (World Bank 2005g: 21) in that country. The fact that a neo-liberal democratic logic has driven donors' capacity-building agenda can also be seen in donors' insistence that the government only provide the basic education and health services and develop the security forces that it can afford. In the security sector, for instance, donors have been extremely concerned to minimise public expenditure on recurrent items such as the salaries and wages of police officers and defence personnel, presumably because of the implications this would have for both the sustainability of the government budget and for future levels of donor funding (World Bank 2003a: 28, 2004e: 26; Deen 2001). In an attempt to keep costs down, while also addressing the perceived fact that Timor Leste's main security threats are internal, they have prioritised development of the police force over the Armed Forces. The subordination of health, education and security considerations to financial cost considerations reflects the neo-liberal commitment to fiscal rectitude.

The Fretilin leadership has supported much of the donor state capacity-building agenda. Originally committed to Marxism-Leninism as its official ideology

(Shoesmith 2003: 238–41), Fretilin changed its ideological orientation dramatically after 1999, as its leaders sought to build a strong relationship with donors in order to ensure the survival of the independent Timorese state and their party's own political future. It is now officially committed to a free market economy and liberal democracy (Symonds 2006; Aditjondro 2001: 6–7; Saldhana 2005). This liberal orientation has in turn translated into a broad commitment to building the state's capacity to regulate the economy along neo-liberal lines; to deliver basic health and education services to citizens in order to produce voters and workers; and to maintain internal and external security in order to create political and social conditions that are conducive to capitalist investment.

But its support for a neo-liberal democratic agenda has been tempered by nation-building considerations. The Fretilin leadership has sought to promote a brand of nationalism within Timor Leste that has emphasised Portuguese cultural values and the use of Portuguese language as a marker of national identity, reflecting the fact that many of its members were educated during the Portuguese colonial era in Timor Leste. This has reduced their commitment to the donor state capacity-building agenda in so far as it meant compromising on efforts to develop state capacity to deliver basic education services. The key issue here has been the government's decision to make Portuguese, a language spoken by only 5 per cent of the population (Nicolai 2004: 120), the principal language of education. The Portuguese and Brazilian governments have facilitated this policy by funding Portuguese-language training programmes for teachers. Other donors, however, have criticised the policy, arguing that it has been one of the main reasons for the country's poor educational results so far. Educational considerations, they have suggested, require use of *Bahasa Indonesia*, the national language of Indonesia, or *Tetun*, an indigenous *lingua franca*, as the primary language of education because both are much more widely spoken. They have consequently been reluctant to invest resources in the education sector.[6] By insisting on the use of Portuguese in the classroom, the Fretilin leadership has prioritised development of the state's capacity to promote a particular national identity and language over development of its capacity to provide the skills and abilities needed to produce a labour force and voters.

The Falintil leadership has in general been even less receptive to the donor state capacity-building agenda. While it has been broadly supportive of the liberal market economic policies that donors have promoted in Timor Leste since 1999, as evidenced by Gusmao's repeated emphasis on the need for Timor Leste to integrate into the global economy (Gusmao 2005: 162–9), it appears to have shared the Fretilin leadership's concern to use the education system to promote the development of a national identity based on Portuguese values and use of the Portuguese language. Certainly, Gusmao has expressed strong support for this policy (Aditjondro 2001: 130–45). At the same time, it has had serious concerns about the donor state capacity-building agenda in the security sector, particularly donors' emphasis on police-force development rather than promotion of the Armed Forces. Gusmao in particular was critical of this emphasis, although in indirect ways. On the one hand, he publicly criticised the police

force on numerous occasions for abusing their authority, committing human-rights infringements, mismanagement and other failings. On the other hand, he stressed the need for better donor funding of the Armed Forces, arguing that the Armed Forces was unlikely to develop into a professional defence force without better access to financial resources (Gusmao 2005: 42, 51–2, 154–7, 241–2).

The violence that occurred in mid-2006 was triggered by a split within the Armed Forces centred on accusations of discrimination and favouritism in relation to conditions and promotion opportunities within the Armed Forces. But it can also be seen as an expression of resistance on the part of elements within the Armed Forces towards the donor state capacity-building agenda and, in particular, the marginalisation of the Armed Forces vis-à-vis the police force that it entailed. On the one hand, the discrimination and favouritism that was the initial trigger for the petitioners' protest was in part a product of the donor state capacity-building agenda in the security sector and the Fretilin leadership's support for this agenda. By under-resourcing the Armed Forces – at least relative to the police force – donors and the Fretilin leadership intensified competition within the Armed Forces for the few opportunities available. In other words, they created an environment in which accusations of discrimination and favouritism within the Armed Forces could easily emerge. On the other hand, the soldiers making the claims of discrimination and favouritism made it clear that they blamed the Fretilin leadership for the Armed Forces' troubles, not Gusmao or other elements in the Falintil leadership. Their preferred solution to the Armed Forces' lack of capacity and in particular the problem of discrimination and favouritism in the Armed Forces was not the replacement of its senior officers (with one or two exceptions), but the replacement of the government. A change in government was necessary from their point of view to ensure a shift in the government's state capacity-building priorities in the security sector away from the donor focus on development of the police force and towards a better deal for the Armed Forces.

In sum, then, the case of Timor Leste illustrates well the points made in the previous section concerning the link between coalitions of interest and outcomes vis-à-vis rebuilding governance in failed states. In Timor Leste, donor efforts to construct a new state apparatus proved unproblematic because there was no real resistance to these efforts from the main domestic political and social coalitions. But their efforts to build state capacity proved much more problematic. In sectors such as education and security where their state capacity-building agenda encountered resistance from the key domestic political and social coalitions, they had much less success in building state capacity than in sectors such as health where their agenda accorded with those of these coalitions. This suggests that rebuilding governance – and in particular creating state capacity – in failed states is not simply a technical matter of constructing a new institutional apparatus of the state, improving human resources in the state apparatus and promoting best practice in administrative and institutional arrangements, but also a political matter of resolving conflict between competing coalitions.

Implications

This finding has significant implications for donor strategies for rebuilding governance in failed states. In short, it suggests that donors need to view rebuilding governance as a process of coalition-building and not simply human-resource development, administrative development and institution-building. If state capacity is a function of the extent to which the agendas of competing coalitions of interest align with one another, then rebuilding governance hinges on the extent to which competing coalitions are able to compromise over issues such as which capacities the state should develop, how these capacities should be prioritized vis-à-vis one another and by whom they should be exercised. Donors may be able to manufacture such compromises in some instances by force of argument – that is, by trying to convince other coalitions of the rationality of their own approach in terms of economic efficiency or growth. More often, however, they will need to, in effect, negotiate or facilitate deals with and between other coalitions to ensure that each has a material stake in whatever state capacity arrangements prevail. Skilled politicians understand the need to use scarce economic and other resources to build coalitions with key political actors, even where such compromises may clash with their broader policy agenda, in order to generate the support required to keep them in power. In rebuilding governance and in particular creating state capacity in failed states, donors need to think in similar terms.

This in turn means that donors have to be willing to compromise on their own state capacity-building agenda. In this connection, it is useful to consider the proposals made by Levy (2004) and the OECD (2006) for integrating political and social considerations into donor state capacity-building strategies. Both these authors distinguish between situations where there is strong domestic political support for donor state capacity-building efforts and situations where there is limited support for or opposition to these efforts. They suggest that donor state capacity-building efforts are more likely to be successful in the former situations than the latter situations and that donors should therefore tailor their approaches accordingly. In the former situations, they suggest, donors should move ahead with state capacity-building plans – with Levy (2004: 28) even suggesting that they should pursue 'a comprehensive program of state capacity building' – while in the latter situations, donors should adopt less ambitious approaches. Levy (2004: 28), for instance, suggests that where there is little or no support for the donor state capacity-building agenda, they should focus simply on 'some modest initial steps to identify, and build on, entry points for state capacity building that, although modest in themselves, have the potential to set in motion far-reaching cumulative changes'. The OECD (2006: 25), by contrast, suggests that in these situations donors should focus on using their influence to 'encourage … "effective demand" for public sector capacity' rather than directly trying to implement reforms. This, it suggests, may be done 'by emphasizing the importance of parliamentary oversight in budget preparation and execution, or by supporting rights-based movements focused on particular aspects of government performance'.

Importantly for our purposes, Levy (2004) and the OECD (2006) are advocating a 'winner takes all' approach. In their approach, donors should endeavour to promote their state capacity-building agenda by altering, one way or another, the balance of power between themselves and their domestic supporters, on the one hand, and their opponents, on the other, at least in those cases where political and social conditions are deemed to be unfavorable to realisation of the donor agenda. In other words, the implication is that donors should try to *defeat* their opponents rather than work in collaboration with them towards a compromise outcome. This approach is problematic in two respects. First, donors are likely to find it very difficult to defeat their opponents, particularly where these opponents have the resources to resist effectively. Donors are not nearly as omnipotent as they are sometimes portrayed, particularly by radical critics. Second, Levy's and the OECD's recommended approaches reflect an authoritarian impulse to the extent that they allow little scope for compromise with respect to the donor agenda. To be sure, Levy (2004) envisages certain elements of the donor capacity-building agenda being implemented earlier than others as a result of sequencing considerations. But, to the extent that someone's ox has to be gored in order to promote the development of state capacity in a particular developing country, it is suggested, this must belong to donors' opponents in that country.

An alternative approach that would mitigate these problems, is for donors to pursue a *satisficing* strategy – that is, to work towards state capacity-building outcomes that are broadly satisfactory in terms of their capacity-building agenda rather than ideal. This approach would require donors to negotiate compromises with their opponents with regards to the state capacities that a country develops and how these capacities are exercised and prioritised rather than seek a total victory. As such, donors would have to be prepared, in some cases at least, to accept 'second-best' rather than 'first-best' solutions, both in a technical sense and in terms of their agenda. In the case of Timor Leste, for instance, such an approach might have involved attempts on the part of donors to better fund and support the development of the Armed Forces and support the use of Portuguese language in the education system rather than baulk at decent investments in both sectors. Such an approach would be more workable politically because it would not involve the outright defeat of donors' opponents. At the same time, it would be more democratic to the extent that it would be more inclusive. It is also likely to be more effective in creating state capacity in that it would serve to redress the differences in capacity-building agendas that, it has been suggested here, are the primary cause of bad capacity outcomes in developing countries.

Of course, there are limits to the effectiveness of a coalition-building strategy. In some cases, the different agendas of competing political and social coalitions will be irreconcilable. Even if donors are willing to compromise, other coalitions may not be so willing. These situations are only likely to be resolved by the political victory, one way or another, of one coalition over its rivals. But to the extent that coalition-building is possible, it is imperative that donors think carefully about how it can contribute to rebuilding governance and in particular rebuilding state capacity in failed states. At present, they seem too focused on creating the basic

institutional elements of a state apparatus, enhancing the human capacity of civil servants and politicians, and introducing best practice in administrative and institutional arrangements to consider the crucial political foundations for successful governance rebuilding.

Acknowledgements

I wish to thank the Development Research Centre on the Future State at the Institute of Development Studies, Sussex, for funding the research on which this chapter is based; GARNET for providing additional funding; Anacleto Da Costa Ribeiro and Caddi Johnson for providing research assistance; and Richard Robison, Wil Hout, Anne Wigglesworth and Andres Mejia Acosta for providing feedback on earlier drafts of the paper. The usual caveat applies.

Notes

1 In making this point, it should not be considered that I am suggesting that Timor Leste does not face serious health problems, or that public health services in Timor Leste are now better than they were during the Indonesian period. My point is simply that the state has developed greater capacity to deliver basic health services than deliver basic education services and maintain internal stability since 1999.
2 This perception is apparent in the donor reports cited in this paragraph but came out particularly strongly in interviews with figures at the World Bank and AusAID and consultants involved in capacity-building work, Dili, August 2004 and March 2006.
3 In particular, I encountered this view in conversations with officials at the World Bank and AusAID and consultants employed by these organisations.
4 A number of other political and social actors have also played a role in shaping state capacity outcomes in Timor Leste, most notably the leadership of the Catholic Church and NGOs, but their role has been comparatively minor. For instance, on the role of NGOs in post-independence politics, see Holloway 2004.
5 A focus on individuals and cliques – the usual analytical framework for the analysis of Timor Leste's politics since 1999 (see, for instance, Shoesmith 2003; International Crisis Group 2006) – obscures the common interests that have underpinned these two coalitions. My approach here draws more on institutionalist approaches to political economy that emphasise the role of organised actors and structuralist approaches that emphasise the role of capital controllers such as donors rather than the models of elite politics that have informed analysis of Timorese politics so far. Such approaches are better able to account for the continuity of Fretilin and Falintil as institutions and the role of international donors in shaping political outcomes than elite politics models.
6 In early 2006, for instance, the Ministry of Education was having extreme difficulty in gaining donor support for its proposed activities under the Sectoral Investment Program, in marked contrast to the Health Ministry – (interview with a senior government adviser in the Ministry of Planning and Finance, March 2006).

13 The politics of public-management reforms in post-war Lebanon

Nisrine El Ghaziri

Introduction

Since the end of the civil war in 1989, Lebanon, a small country on the eastern side of the Mediterranean, engaged in a comprehensive reform of public administration. The reform aimed to instill values of good governance in public administration through the introduction of managerialism, an international best practice prevailing in the 1990s. Beyond managerialism as a technocratic, apolitical model, however, administrative reform was a complex multi-actor and multi-level process. This chapter examines the dynamics of Lebanon's post-war administrative reform in the framework of this book's theme on the gap between the technocratic definition of governance and the politics of its implementation.

Mere rehabilitation of functional capacity was the initial purpose of addressing Lebanon's post-war public service. From 1975 to 1989, 14 years of civil strife devastated political, economic, social and institutional life in Lebanon. Destruction did not spare the country's public service. Offices were ransacked, destroyed or displaced along war-inflicted geographical divisions. Equipment was stolen, destroyed or left unmaintained. Human capital was depleted by the war and by natural attrition. The breakdown of government authority severely eroded public-sector capacity to process state functions and deliver services.

The National Administrative Rehabilitation Programme was conceived as a remedy to this situation. It was largely built in a bottom-up, participative manner where local consultants were dispatched to ministries to assess their needs for office equipment, human resources, information technology and technical assistance. The programme was estimated to cost US$100 million. Given the severe financial limitations of the Lebanese government in the post-war era, loans and grants approximating this value were concluded with the World Bank, the Arab Fund for Economic and Social Development, the European Union and UNDP in order to ensure implementation.

Responding to the demise of public-service institutions under the bullets of the civil war, several donors proposed to take Lebanon's reconstruction as an opportunity to *reform* the public service along international best practices. The UNDP and the World Bank, in particular, had specific notions of what reform would entail: in the early to mid-1990s, their respective policy circles were exploring

good governance and public management as approaches to enhance the quality of public administration. Their assistance packages to Lebanon outlined the broad contours of a reform premised on those practices, to be further elaborated under the supervision of the Minister for Administrative Reform, their main interlocutor on the Lebanese side of the reform.

As such, the reconstruction of Lebanon's post-war public service geared-up from remedial and non-confrontational measures towards complex, prescriptive and disputable interventions. This development was the source of several other complications over the years to come. Donors, especially the World Bank and UNDP, had different definitions of good governance in a public-administration context. They competed for leading and controlling the reform by formulating their own sub-programmes, devising implementation arrangements and recruiting key personnel. The successive Ministers for Administrative Reform displayed different attitudes towards the donors' involvement. Some adopted their prescriptions; others confronted them openly.

The next section presents administrative reform as a component of the debate on governance and public management in the 1990s, and paints the governance and public-service portraits of post-conflict Lebanon. Next, the chapter elaborates on the politics of implementing Lebanon's post-war administrative reform programme over ten years. In doing so, it examines two broad aspects of politics: bickering about policy formulation and programme design, and the dynamics of reform execution in the public service. The last section identifies the implications of Lebanon's experience for the definition and practice of governance reform.

Governance: the international debate and Lebanon's post-war status

Models of public administration: the rise of managerialism

Administrative reform is the induced systemic improvement of public-sector operational performance through a set of initiatives intended to have a significant impact upon the outputs, roles, relationships, cost and size of public-sector institutions (Caiden 1991). Administrative reform has promoted different models of public administration over time and place, each consisting of a different set of values. In the traditional state, centralised and formalised public administration helped to maintain law and order. With the emergence of the nation-state, public administration witnessed the emergence of values such as service orientation and professional ethics (Caiden 1969). To contribute to those shifts, administrative reform involved the civil service and introduced merit-based employment, predictable and reasonable salaries, administration based on written laws and watchdog agencies to enforce them (Caiden 1991). Also known as institution-building, those reforms established the foundations of public service in an environment where procedures were underdeveloped and patronage and corruption prevailed (Plumptre and McQuillan 1993).

Civil-service and institution-building reforms prevailed until the 1970s. They were supplemented with automation, which transformed public administration through integrating processes, reducing the number of responsibility levels, increasing delegation from top to middle management, and greater entrenchment of the values of efficiency and productivity (Caiden 1969). Automation paved the way for the third model of public administration known as managerialism in the 1980s and 1990s (Pollitt 1993).

Managerialism has three underlying themes: the empowerment of managers, service improvement to clients and strengthening efficiency in government operations (Savoie 1998). Essentially inspired by (private) business management, it prescribes that a rules-bound administration be replaced by a performance-bound administration (Ukeles 1982, Hood 1998). The general menu of managerialist reforms includes such measures as restructuring and downsizing the public sector (particularly through privatisation), reorganising and slimming down the central civil service (including decentralising personnel management and eliminating civil-service tenure), introducing competition (including contracting out service provision to the private sector) and improving value for money through performance management (Minogue 2001). By the 1990s, managerialism had acquired the status of a best practice and extensively influenced the design of reform programmes in developing countries. Serious critiques accompanied this development, however, and warned that full maturation of civil-service reform is a prerequisite for the introduction and success of managerialist reform (Heredia and Ross Schneider 2003).

The claim that the state had become too large and that the market offered superior mechanisms for supplying public goods and services, which justified the managerialist solution to public administration, evolved as part of a broader debate on good governance (Pollitt 1993; Khandwalla 1999). This is particularly the case for post-conflict countries, where administrative reform was tackled from the governance perspective and implied public-sector reconstruction as a component of the broader reconstruction of the polity (see, for example, Brinkerhoff 2005). Some of the donor organisations that participated in Lebanon's post-war administrative reform, notably the World Bank and UNDP, played a leading role in the debate on governance. Each advanced particular interpretations of managerialism to support its position in the debate.

Governance and managerialism: positions of selected international actors

For the World Bank, the governance focus brought the role of the state to the forefront and claimed that a smaller and lighter government would be better able to serve the goal of private-sector-led economic growth. Good governance implied rolling back the state and reforming public administration through such measures as restructuring, downsizing, reducing surplus staff and cutting the wage bill. Through market mechanisms and performance indicators in public administration, managerialism enhanced the government's internal efficiency and effectiveness (Hood 1998). In 1997, the World Bank sought to correct the imbalances

caused by what appeared to be an exaggerated limitation of the role of the state. Its *World Development Report 1997* showed that the Bank's vision of governance was premised on the minimalist state and the recommended balance between state role and capacity. Analysts have questioned, however, the extent to which the World Bank's revised rhetoric was actually genuine (Hildyard and Wilks 1998; Evans and Moore 1998). Elsewhere (El Ghaziri 2007), it has been suggested that, generally, the World Bank's theories on administrative reform in the 1990s were a pronounced version of managerialism.

To UNDP, governance implied a state that focuses on people-centered development and public-sector practices that support such a role by developing capacity in general and human resources in particular (Hildebrand and Grindle 1996). Contrary to the World Bank, UNDP claimed the possibility of reforming public services despite problems of pay, job classification and overstaffing, and recommended partnership between the state, the private sector and civil society instead of exclusive recourse to privatisation and downsizing. Governance-inspired administrative reforms involved capacity building for economic and financial management, employment creation, policy dialogue, partnership and strategic, quality and human-resource management (UNDP 1995b). It has been suggested (El Ghaziri 2007) that the UNDP's positions on administrative reform in the 1990s are a light-touch version of managerialism.

While the World Bank and UNDP explicitly invested in elaborating and applying governance reforms, the European Union, a leader in development cooperation in the 1990s, maintained an ambiguous attitude (Nunberg 2000). Except for capacity building along the lines of the member states of the European Union, administrative standards were unclear and administrative-reform assistance was subsumed under governance or economic reform depending on the geopolitical concerns that affected the programme in which they were packaged. Arab development actors stayed out of the debate on governance all together. That was the case of the Arab Fund for Economic and Social Development, a regional pan-Arab development finance organisation that contributed significantly to Lebanon's post-war administrative- reform efforts (El Ghaziri 2007). As revealed later in this chapter, its neutral attitude was not less significant in Lebanon's administrative reform.

Lebanon's post-war governance and public administration

Lebanon entered the 1990s as a poor, socially fractured and traumatised country. Its public service was in a state of agony, both physically and institutionally. Some of the administrative problems of the post-war era were obviously ascribed to the war as this eroded central authority, reduced supervisory authority, relocated and dislocated government offices, undermined coordination among government offices and units, increased political and personal influences, and caused a major loss of workforce and forced absenteeism (Kisirwani and Parle 1987). Other problems of Lebanon's public service, however, had their roots in the country's socio-political context and found in the war environment a fertile ground to grow (Antoun 1989).

Lebanon's modern institutions operate in a social context that retains a signifi-

cant proportion of its traditional features. Attachment to community (or communalism) antedates the Lebanese state established at the end of the First World War by the French. Therefore, the identity of the Lebanese is an amalgam of primordial and hereditary attachments to religion, sect, family and region. Reflecting society, government in Lebanon is a crossbreed of traditional elements and modern institutions, including a judiciary, a legislature and executive authority. Premised on power-sharing, it is mostly focused on harmonising the semi-autonomous and multiple identities that constitute the Lebanese nation-state (Khalaf 1987). To support the freedom of its constituent communities, Lebanon holds, as a basic tenet, an economic philosophy premised on unrestricted free economy (Gates 1989).

Lebanon's public-service institutions were established during Ottoman rule (1517–1917), the French mandate (1917–43) and after independence in 1943. The Ottoman inheritance contributed to the Lebanese bureaucracy its confessional, authoritarian and centralised culture. It also established patronage and clientelism as the feudal lords incorporated into the administrative apparatus used it as their own property. Since then, public posts are viewed as sources of individual prestige and material well-being by their incumbents; and as sources of authority over the public (Bashir 1965). The French mandate reinforced centralisation and authoritarianism, institutionalised the power of statutes and regulations and promoted legalism and formalism (Kisirwani and Parle 1987). The main contribution of the Lebanese state to its public service was the reform of 1959, when central watchdog institutions with comprehensive authorities were established to manage and control personnel, organisational structures and public expenditures. Modelled after Western institutions, their main purpose was to introduce merit and reduce spoils and corruption in the public service.

From the outset, watchdog institutions were resisted by politicians with vested interests in preserving the power-sharing formula and related spoils. Traditional and divided social and political culture permeated all formal institutions of government, including the public service, monopolised the system, plagued it with stagnation, patronage and nepotism, and continued to dictate the informal processes of Lebanon's bureaucracy in spite of its Western outlook (Khalaf 1987). As such, on the eve of post-war reconstruction, Lebanon's public administration combined a legal-rational formal structure inspired by Western administrative approaches, a traditional culture, extensive physical and institutional weakness inflicted by the war and a record of administrative reform that was generally considered to be poor.

Lebanon's post-war administrative reform: the politics of design and execution

Bickering about core policies and programmes

In 1992, the UNDP's office in Beirut prepared a key document in which it conceptualised and designed Lebanon's reformed public administration. The document was unequivocal when it proposed to take the opportunity presented by the recon-

struction to transform the Lebanese public administration comprehensively along the lines of international best practice in public-sector management. Such a transformation would take place according to a phased programme where administrative rehabilitation precedes administrative reform (De Clercq 1992).

An array of national and international dynamics in Lebanon's reconstruction process complicated the UNDP's leadership in designing administrative reform during the first post-war years. On the national side, policy vacuum implied that the country had no vision on how to reform its public service. Preoccupied with national reconciliation, economic recovery and emergency social rehabilitation, political leaders practically delegated matters of administrative reform to the international community and offered limited guidance in the design of the reform (interview Van der Kloet). Weakened by years of conflict, national institutions responsible for public-service management lacked the capacity at policy analysis that would enable them to guide the work of the international community in this area (Knox 1992).

The international community, on the other hand, was far from homogeneous. Instead, it showed major divergences in conceptualisation, combined with competition over leadership and visibility. In order to avoid competition, the UNDP and the World Bank, the two most active international actors in Lebanon during the immediate post-war years, concluded a gentlemen's agreement to split Lebanon's reconstruction between them. Accordingly, UNDP would handle matters of institutional and social development, while the World Bank would tackle economic reconstruction (interview Van der Kloet).

Evidence from the subsequent unfolding of Lebanon's administrative reform reveals that this agreement was not respected early on. In the aforementioned key document on administrative reform, the UNDP elaborated the underlying values of the reform programme which, in line with its positions on governance and public management, recommended a state with a pro-active role in guiding the economy, enforcing, monitoring and controlling economic policies and addressing social-equity issues towards the redistribution of income. Organisational and managerial modernisation would develop capacity in the public service to support the state's role revised along those lines (De Clercq 1992).

As it elaborated its reform requirements, the UNDP incorporated, in the same document, elements of the reform vision of the World Bank. Accordingly, the expanded role of the state would not require a larger public sector, but rather a smaller and more efficient one premised on cost efficiency and privatisation, whereby the overall size of public employment and the wage bill were cut down and resources re-deployed in favour of a greater role for the private sector in service provision (De Clercq 1992). As mentioned in the previous section (pp. 186–7), the World Bank's position on administrative reform stems from a different conceptualisation of the role of the state. Contrary to that of the UNDP, this conceptualisation is premised on a reduced role of the state.

Combining two quasi-contradictory guidelines, Lebanon's fundamental document on administrative reform was used by UNDP in order to maintain an appearance of conciliation with the World Bank. The Bank, on the other hand, was

becoming an increasingly dominant player in Lebanon not only in financial terms, but also in terms of its intellectual stance calling for reconstruction premised on neo-liberalism, an approach that converged with the one adopted by Lebanon's governing elite led by late Prime Minister Rafic Hariri (Labaki 2003). Conciliation was not UNDP's only approach towards the World Bank, however, even during the period when their relationship was governed by their so-called gentlemen's agreement. While it had initially prepared the core document as a chapter in a World Bank policy paper on Lebanon's post-war reconstruction (World Bank 1993c), UNDP soon detached its document and circulated it among Lebanese policy circles to demonstrate its readiness to lead administrative reform.

In an attempt to leapfrog Lebanon's public service towards international standards, Anwar El Khalil, Minister for Administrative Reform from 1995–6, launched the rehabilitation and the reform of the public service simultaneously. With lead support from UNDP, consultants developed the National Administrative Rehabilitation Programme to the tune of US$100 million (UNDP 1993, 1995b). Invited to advise on the reform's general direction, experts from the Institute on Governance in Ottawa, Canada, offered a menu of four options: strategic, structural, enhancement and institution-building reforms (Plumptre and McQuillan 1993). The first two correspond with the descriptions of managerialism, with strategic reforms being slightly more radical. Less ambitious, the last two implied civil-service reform measures (El Ghaziri 2007). Within the same leapfrogging mentality, the minister opted for engaging Lebanon on the path of strategic reforms (interview Marshall).

The operationalisation of rehabilitation and strategic reform resulted in an entanglement of players, roles and activities that was to expand and intensify the power game in policy-making and programme design, as well as make it more explicit. Undertaking a successful campaign to finance the rehabilitation programme in 1995, the Lebanese government mobilised a US$20 million loan from the World Bank, another US$20 million loan from the Arab Fund and a €38 grant from the European Union. Resource mobilisation, however, occurred in the absence of an overarching technical cooperation policy. Instead, the Minister for Administrative Reform engaged personal and professional connections in the worlds of banking and international organisations and marketed the programme to any willing donor (interview Ramadan).

Although they pledged their assistance in the framework of the rehabilitation programme, the European Union and the World Bank departed from its programmatic framework and central theme. The former came up with a different programme which, according to the consultants who designed it, was an offspring of the programme referred to as the Assistance to the Re-establishment of the Lebanese Administration (ARLA) Programme. ARLA supported the institutional development of the central watchdog agencies and ministries operating in the social sector. Its specific objectives were not spelled out early on, however, but were to be elaborated by a programme-management consultancy established to manage and implement ARLA (interview Kabbani).

Through the loan document, the World Bank imposed two thematic influences. The first concerned automation, and resulted in allocation of more than 80 per

cent of the loan to office technology. The second influence brought a clearer focus on administrative reform along the lines preached by the World Bank (interview Ramadan). This focus was outlined in a government statement on administrative reform dated 27 June 1995 and enclosed in the World Bank loan document. It claimed that 'the Government's ultimate objective is to achieve … a smaller, efficient … public administration, consistent with the requirements of the State in a free economy' (World Bank 1995a: 9). Evidence showed that this government statement was drafted by World Bank officials (interview Moussa).

Following on the formulation of the founding document of the reform and the rehabilitation programme, power games and policy competition surrounded the institutional-development strategy launched in 1996. The strategy on administrative reform was conceived by senior staff of the minister as a tool to re-integrate the approach on rehabilitation and reform that had disintegrated along donor lines. The strategy was not immune from donor influences, however. The consultant first recruited to help formulate the strategy had a strong background in the managerialist school of public administration and strong ties with the World Bank. His *Interim Strategy Report* clearly referred to World Bank theories on administrative reforms and explicitly recommended to roll back the state (Manning 1997).

Recruited in 1997 to undertake more independent work, the second consultant was also separately approached by donors. World Bank officials held informal meetings with the consultant and presented the *World Development Report 1997* on the role of the state. UNDP, on the other hand, presented its material on good governance and invited the consultant to participate in UNDP conferences on the subject. Occasionally, it sent drafts of the strategy for comment to senior UNDP officials, who were often critical. After judiciously amalgamating donor theories and local needs, the consultant finalised the strategy in 1998 with Lebanon's 'recipe' of managerialism. One failure of the strategy, however, was its inability to reintegrate the reform programme as donor-assistance packages continued to operate as independent units (El Ghaziri 2007).

Donor influence would not have been possible without a certain predisposition on the part of national policy actors. A businessman with no support from specialised staff, minister El Khalil needed the UNDP's intellectual input. During the founding stages of the reform, he accepted and assimilated the UNDP's discourse on administrative reform. He also welcomed UNDP-World Bank cooperation. In 1995, he mainly needed the donors' financial input in support of the NARP. The World Bank was a particularly crucial donor, especially in terms of encouraging other donors to pledge support as well. During resource mobilisation, the trend shifted more towards playing out UNDP against the World Bank and exploiting the latter's power. Occasionally, the minister did not hide his preference for the World Bank, which he diplomatically described as his most solicited partner whose engagement in 1995, he acknowledged, was enabled by the UNDP's initial work in administrative-reform advocacy and design in 1992 and 1993. The minister even hailed the government statement on administrative reform prepared by World Bank officials for making the reform 'tangible' (interview El Khalil).

Securing funds for the NARP decreased enthusiasm for donors and coincided with a changed profile of the Minister for Administrative Reform and an increasing role played by the newly recruited staff of the minister. Unlike minister El Khalil, minister Merhej (1996–8) asserted his leadership vis-à-vis donors. He also gave a greater role to national staff in the reform process. Due to dependence on donor funding and the inexperience of staff, however, asserting total independence was not possible. The minister and his staff had a lot to learn in the area of governance and public-sector management. Therefore, they were responsive to all donors, participated in their conferences, welcomed their publications and used their terminologies. By doing so, they built their knowledge while maintaining good working relationships with donors (El Ghaziri 2007).

The national policy environment of administrative reform changed with minister Chalak (1998–2000) whose appointment came in the framework of a change of government prompted by the corruption allegedly induced by the neo-liberal reconstruction policies of Prime Minister Rafic Hariri (UNDP 2000). Donors that had supported those policies were criticised. Minister Chalak distanced himself from the donors' reform proposals. According to him, Lebanon's public service was commendable and only needed an adequate implementation of its laws and regulations. This, in turn, implied a greater role of the central watchdog agencies that managerialist reform sought to reorganise. In response to the minister's attempts to block their contribution, donors took action at the highest levels of government and forced the minister to honour his commitments.

Minister Chalak adopted a passive outlook to express his continued discontent with donors. His attitude coincided with the launching of the ARLA programme in 1999, and it was not without consequences in terms of the control that officials from the European Commission were able to exercise, especially in terms of defining ARLA's policy objectives and reshuffling its beneficiaries. That same year, the programme-management consultancy launched efforts to define ARLA's framework and content. In the absence of guidance on the part of the minister, European Commission officials imposed programme values premised on economic, fiscal and managerial reform, which were consonant with the economic-reform agenda pushed in Lebanon by the World Bank at that time (World Bank 1999a). To suit this agenda, institutions in the social sector were replaced by the ministries responsible for economic and fiscal management. Reforms were foreseen for central watchdog agencies that restructured their control over public resources. Reforms were also foreseen in ministries operating selected infrastructure with a view to achieve their withdrawal from direct-service provision and enhance their policy-making and regulatory functions (El Ghaziri 2007).

Parliamentary elections in 2000 led to the return of Prime Minister Rafic Hariri to the premiership. Amongst others, his return helped to re-launch reconstruction premised on neo-liberalism and restore government-donor cooperation. The harm done by the passive attitude of minister Chalak was, however, quasi-irreversible. European Commission officials operating in Brussels and in the delegation in Beirut maintained control over ARLA, which, by then, had become the cornerstone

of administrative-reform efforts. As minister Fuad Saad (2000–3) tried to regain leadership and ownership of the reform, several confrontations erupted between him and senior 'eurocrats', who occasionally asked the minister to revoke decisions concerning ARLA. Tensions governed the minister's relationship with the European Commission until ARLA's closure in 2005 (interview De Graaf).

Tensions affecting the managerialist reform of the public service

Donors extended the competitive and controlling patterns of their involvement to the institutional aspects of the reform. In the absence of a local organisation to manage the reform programme, each one of the donors came up with arrangements to ensure the execution of its assistance package. Considering the rehabilitation programme as a tool to rationalise technical assistance for administrative reform, the UNDP considered the creation of a technical-cooperation unit under the supervision of the minister, which would formulate policies and procedures regarding technical cooperation for public-administration reform in Lebanon (UNDP 1992). In support of institutional development, it also planned the creation of an institutional development unit to formulate reform proposals and constitute the cornerstone of a fully fledged ministry of administrative reform (UNDP 1994).

The World Bank disagreed with UNDP on the need for a separate capacity to manage technical cooperation. Instead, it emphasised the need for a mechanism to carry out the projects planned in its loan document and sought to assign an implementation role to the technical-cooperation unit. In order to perform this function, the unit would house capacity for procurement, financial management and a number of project managers in the different areas supported by the loan, especially information technology (World Bank 1995b).

Initially, the UNDP rejected the World Bank's suggestion on grounds that it undermines the technical-cooperation function of the unit and implies a shift of focus towards donor projects at the expense of the programme (interviews De Clercq, Van der Kloet). The UNDP changed its position in 1995, however, when it acquired the contract to manage the World Bank's loan. Moreover, pressure from the Arab Fund to provide for an implementation function further increased the chances for such a shift. Consequently, UNDP reformulated the terms of reference of the unit to include an implementation function as foreseen by the World Bank, alongside its technical-cooperation function.

During the negotiation of its grant, the European Union insisted on creating a programme- management consultancy to undertake three functions: assist the technical-cooperation unit in the management of the NARP, assist the institutional development unit in the preparation of reform policies and formulate ARLA and oversee its implementation (Gruet and Johannes 1996). Senior advisors to minister El Khalil challenged the establishment of the consultancy on the grounds that it duplicated the units of technical cooperation and institutional development. However, the European Union insisted on its creation as a condition to proceed with its grant (interview Ramadan). The consultancy became operational in 1999 when the ARLA programme was launched.

These units supplemented one another under one organisational umbrella, the Office of the Minister of State for Administrative Reform (OMSAR). Two main problems resulted from the way in which OMSAR had been created. The first problem was the compartmentalisation between its core units that undermined the thrust of the reform (El Ghaziri 2007). In the case of the units of technical cooperation and institutional development, both conceived by UNDP, only one paragraph in the latter's terms of reference called for coordination between them; and it failed to define the terms of this cooperation. Failure on the part of OMSAR's leadership to harmonise the units' work and build a coherent team created a climate of competition and distrust. The technical-cooperation unit viewed institutional-development efforts as too abstract to effect any change. The institutional-development unit viewed project implementation as too technical and partial to respond to administrative-reform needs (interview Ramadan). The activation of the programme-management consultancy in support of ARLA contributed additional inconsistencies to the reform organisation. The consultancy and OMSAR failed to conclude a protocol agreement that distributes responsibilities between them. They also failed to agree on procedures that identify and formalise the planning, implementation and supervision of ARLA activities. In the absence of clear rules, project management was dictated by the bureaucracies of the European Union and OMSAR, involved frequent and substantial revisions of activity proposals, delayed implementation and jeopardised the merit of projects and the relationship between the reform organisation and beneficiary institutions (EPU-TMS Consultants 2000). Criticism of the performance of the reform organisation sparked debate on the creation of a Ministry of Administrative Reform. A draft law was proposed for such a ministry which subsumed, under its authority, a number of central watchdog agencies with mandates in personnel administration, organisation and procedures and inspection. Fierce resistance on the part of those agencies, however, led to the abandonment of the option to create a ministry (interview Farah).

The second problem resulting from OMSAR's creation was its estrangement from public-service institutions. Through a special modality meant to avoid previous involvement in the civil war, UNDP recruited the staff of the technical-cooperation and institutional-development units who met its criteria in terms of background and work culture (interview Aboul Hosn). Its position as employer implied a considerable grip on staff loyalty. The presence of a (Lebanese) World Bank staff member as the first director of the technical-cooperation unit (1995–8) also left a clear imprint on the unit's work style and culture, especially in terms of adopting the benchmarks of efficiency and performance (interview Ramadan). Moreover, the consultancy unit supporting ARLA implied the presence of European professionals on OMSAR's premises and direct control by the European Commission of their work (interview De Graaf). As they founded OMSAR, donors also defined its activities and the procedures according to which those activities should be performed. Lacking in own approaches, staff adopted the theories and methodologies of donors and consultants (El Ghaziri 2007). Work procedures were particularly binding; especially the procurement of goods and services which had

to conform to the procedures of the donor concerned. Observing procedures was ensured by an accountability mechanism that was clearly skewed towards donors. It implied submitting reports and holding regular evaluation meetings with officials from each one of the donor agencies at least once a year. OMSAR staff showed little discomfort with the time consumed by multiple-reporting requirements. Instead, meetings with monitoring missions were seen as privileged occasions for interacting with donors (El Ghaziri 2007).

The institutional weaknesses and the donor affiliation of the reform organisation complicated the implementation of a reform premised on managerialism. Many public-service institutions avoided cooperation with OMSAR because it lacked grounding in Lebanon's legal system. Many also resented its donor-like culture and reforms. In particular, managerialism was alien to the Lebanese public service, which, due to isolation inflicted by the civil war, had not matured beyond the largely unaccomplished civil service reforms of the 1960s. New and internally inconsistent, the reform organisation was weakly positioned to understand and promote managerialism. Weakened by the civil war, public institutions were not prepared to receive it. The reform organisation was clearly required by the World Bank, however, to implement managerialist reforms through specific projects with tight deadlines that extended from 1996 to 1998. As a result, the first implementation encounter with public-service institutions was highly confrontational. It failed to achieve its objectives and, due to unresolved misunderstandings, led to enduring problems of trust between the reform organisation and the public service (El Ghaziri 2007).

Failing to enforce change, the reform organisation and the World Bank opted for dropping the initiatives that involved managerialist reforms, favour projects identified by public-service institutions (or demand-driven projects) and enhance their participation. Taking place in 1997, this change of approach was mainly promoted by the reform organisation and coincided with five main developments:

- mounting awareness within this organisation of the need to develop an understanding of the specific needs of public-service institutions away from donor-inspired requirements and techniques;
- improvement in the organisation's own understanding of managerialism through the formulation of a reform strategy which adapts international best pratices to local needs;
- the launching of implementation under the Arab Fund loan where, unlike in the World Bank loan, activities were managerialism-free, designs were highly open to the needs of beneficiaries and deadlines were flexible;
- improvement in the project-management capacity of OMSAR; and
- greater respect on the part of OMSAR for the legalistic approaches to interaction in the public service (El Ghaziri 2007).

The reform organisation was to reap significant gains from its shift to a demand-driven, participative approach. In a first stage, client institutions displayed positive attitudes towards OMSAR, contributed ideas to project design and actively guided consultants and contractors. Consequently, many more projects were

gearing towards the implementation pipeline and the reform organisation was gaining visibility and leadership. In a second stage, the reform organisation re-launched reform initiatives premised on managerialism in 1999 in the framework of the ARLA programme. Though mostly defined in a top-down, unilateral manner by officials from the European Commission and involving major changes in the practices of public institutions, those reforms garnered greater sympathy than their predecessors programmed in the World Bank loan, mainly due to OMSAR's greater acceptance by public-service institutions and its ability to guide managerialist reforms along the lines of the strategy (interview Hajj-Ali). The watchdog agencies endorsed recommendations that re-focus their mandates on policy-making and performance management. Revisions were initiated in the areas of transport and telecommunications to support privatisation. Recommendations headed towards implementation unevenly, however, as some institutions were better prepared to internalise change than others (El Ghaziri 2007).

Implications for the definition and practice of governance reform

Providing empirical evidence that administrative reform in post-conflict Lebanon was a highly political process, this chapter largely supports the main hypothesis of this book, which proposes a definition of governance that recognises power politics and conflicts. Through its successive sections, this chapter has revealed that bringing Lebanon's post-war public service a step closer to international best practice in public management was a highly political process. The distance travelled between defining the objective of the reform and getting closer to materialising it involved extensive conflicts, competition and compromises. Conflict and competition governed the relationship among the international actors involved in the reform as well as the interface between national and international actors. Compromise occurred occasionally in order to ease tensions. It was always short-lived, however, and it disappeared as soon as interests became too overriding.

The very fact that the reform process in post-war Lebanon was largely imbued with conflict and competition leads to the need to reflect on the consequences for reform and the post-conflict situation. Questions arise such as: was post-conflict Lebanon prepared for administrative reform premised on managerialism? What would have helped tailor such a reform to Lebanon's needs? Lebanon's post-war context implied the non-existence of analytical and management capacity at the national level. Institutions with such capacity may have burgeoned in the period that coincided with the civil war to accompany developments in public administration worldwide. The war stopped such a process, however.

Administrative-reform analysts have come to acknowledge that isolation from international developments during conflict does not imply their automatic adoption upon the end of the conflict. Such adoption may even be detrimental because, as a result of the conflict, local circumstances have not matured to receive them. Managerialist reforms are no exception. Managerialism evolved in the developed countries after the full maturation of civil-service reforms. As revealed above (pp.

186–7), however, Lebanon had hardly experimented with such reforms when the civil war started, and then already, signs were numerous that they had difficulty taking root in Lebanon's traditional socio-political context.

Donors promoted managerialism as an ideal model, despite their differences on degrees and versions of it. Given the absence of local capacity, it was impossible for national players to assess critically the relevance and implications of their proposals for Lebanon. Administrative-reform processes were heavily dependent on donors and their respective theories. Causing a fervent race to satisfy donors individually, conflict and competition occupied national policy actors and reduced their ability to take stock and critically assess donor input. Even when the reform organisation started to assert its ownership and leadership, donors pursued their top-down prescriptions of reform models and implementation approaches.

Beyond supporting a definition of governance that recognises politics as conflict over power, Lebanon's case suggests that governance should pay more attention to local needs in general and the particular needs of post-conflict countries more specifically. In such countries, the imposition of technocratic models and techniques of reform is not sufficient given the development gap caused by protracted conflicts. A politically sensitive approach to governance reform in such countries would need to give primacy to building the capacity of national interlocutors with adequate analysis and coordination capacity, even if such capacity challenges the intellectual and procedural dominance of donors. As Lebanon's case shows, without such capacity, the donors' reform models can barely scratch the surface of a system that is not prepared to accept them.

Appendix: Interviews

Aboul Hosn, R., Assistant Resident Representative, UNDP, Yemen (former Policy Analyst, Governance, UNDP Lebanon), Beirut, 5 April 2003.

Clercq, C. de, Senior Advisor to the UN Resident Coordinator, Beirut, 11 June 2002.

Farah, S., former Director, Institutional Development Unit, OMSAR, Beirut, 27 May 2002.

Graaf, M. de, Principal Public Administration Expert, Arcadis BMB/Performance Improvement Expert, Programme Monitoring Consultancy, OMSAR, Beirut, 4 March 2003.

Hajj-Ali, R., Senior Policy Analyst/ARLA Executive Manager, Institutional Development Unit, OMSAR, Beirut, 9 June 2003.

Kabbani, R., Coordinator of the European Union Grant, Technical Cooperation Unit, OMSAR, Beirut, 7 May 2002.

Khalil, A.M. el, Member of Parliament (former Minister of State for Administrative Reform May 1995–November 1996), Beirut, 16 April 2002.

Kloet, H. van der, Consultant Development Cooperation (former UNDP Resident Representative in Lebanon), Breda, The Netherlands, 13 March 2002.

Marshall, C., Director of the Institute on Governance in Ottawa, Canada (former Consultant on Lebanon's Administrative Reform in 1993), by telephone, 22 November 2002.

Moussa, A., former Senior Informatics Specialist in the World Bank, Beirut, 6 June, 2002.

Ramadan, B., Senior Economist, World Bank's Lebanon Country Office (former Director of the Technical Cooperation Unit, OMSAR, 1995–8), Beirut, 11 June 2002.

14 Conclusion

Where to now? The end of 'good governance' as a policy agenda

Richard Robison and Wil Hout

Will neo-liberals reassess the effectiveness of attempts to reshape configurations of power and interest through institutional and governance solutions and aim more directly at various forms of coalition-building or intervention in political conflicts? It is significant that neo-conservatives have clearly recognised the limits to enforcing change through institutional reform and taken the view that market-based reforms at both the economic and political level require nothing less than the elimination of entrenched ruling groups and their entire edifice of institutions and authority, if necessary by pre-emptive military strikes (see Mallaby 2002; Cooper 2002). The case of Iraq represents the quintessential insight into this thinking where the destruction of the Baathist government and its political apparatus created a seeming *tabula rasa* into which market-based economic policies could be introduced at will by the Head of the Coalition Provisional Authority, L. Paul Bremer, the ultimate technocratic authority. These policies included provisions that are the dreams of neo-liberals in the USA itself, among them a flat tax rate of 15 per cent grafted onto plans for extensive institutional reform in the bureaucracy and in the political sphere, including a framework of democratic institutions (Peck 2004: 392; Tabb 2006). It seemed that nothing could go wrong.

What the neo-conservative experiment has shown is that the elimination of specific regimes is not enough to guarantee the effective implementation and embedding of the sort of market and institutional reforms envisaged by neo-liberals. What is missing in this prescription is some cohesive political force mobilised on behalf not only of selective market reforms but of the wider neo-liberal programme for the reordering of power and the reconstruction of institutions. It is not that neo-liberals, or neo-conservatives for that matter, have not attempted to do this. By their very nature, they are unable to support genuinely progressive forces where these are often seen as 'distributional coalitions' acting on behalf of collective social demands and as critics of the market. The cliques of (often unsavoury) businessmen and politicians that are generally favoured as the political spearhead of neo-liberal objectives are invariably without any serious social base or political support. The disastrous experiment with Chalabi and his colleagues in Iraq is only one of many similar examples (Khalaf and Fidler, 2002).

Apart from neo-conservatives, there are other views that see limits to the effectiveness of institutional reform and 'good governance' programmes. Within the OECD there have been suggestions of direct involvement in strengthening 'change agents' within the government, civil society, bureaucracy or academia – in other words, Western-oriented middle classes and business – that may support technocrats (Development Assistance Committee 2001: 12). The British aid agency DFID has identified a range of social and political forces as drivers of change. However, as Hout (this volume, p. 37 ff.) points out, putting these observations into practice has proven difficult. There are real limits to simply withdrawing from support of various regimes even where they are serial exponents of corrupt and repressive forms of rule. The threat of spreading disorder and the abandonment of populations to accelerating poverty as well as national geo-political interests inhibit governments and aid agencies in the West from declaring governance and institutional programmes defunct (Holman 2006).

There is also a general ideological and methodological resistance within the rational-choice approach, so central to neo-liberal thinking, that agency has its limits and structural forces may shape and direct options. Invariably, neo-liberal prescriptions come down to rather weak appeals to 'better public understanding of the appropriate role of government' (Duncan and McLeod 2007: 91), or to good will, common sense or to the critical role of leadership in persuading citizens and subjects to have 'correct – that is, realistic and empirically-grounded – beliefs and expectations' and convincing officials to be honest and citizens to trust legal systems and governments (Levi 2006: 12).

In practical terms there are also advantages in trying to influence reform by means of institutional engineering and governance, social contracts and new forms of citizenship and participation. These avoid the difficulties of directly dealing with potentially incendiary issues of power, especially in cases where corruption, social injustice and repression are essential elements in the way political allies of neo-liberal reform sustain their authority. For officials in development agencies, programmes of governance and institution building make it easy to allocate funds and report outcomes where these focus on the processes of design and delivery. Nor is it any exaggeration to say that a vast and growing army of consultants have also been the beneficiaries of trends to outsource policy and devise and measure technical fixes to complex economic and social problems. Governance is a highly lucrative industry for them (Hamilton-Hart 2006).

On the other hand, there are pressures to move away from the institution/governance paradigm from within the neo-liberal camp. Some economists remain convinced that 'good governance' and efficient market institutions are not so essential to the consolidation of markets in the early stages at least (Rodrik 2003). There is some recognition that even neo-patrimonial forms of governance can possess utility in entrenching market economies in developing countries and even, ironically, in lubricating markets in the USA itself (Brinkerhoff and Goldstein 2005). There is also a question of whether concerns for reordering political and economic structures through governance agendas may give way to a return

to striking deals with political rulers as the USA in particular is placed under pressure by shifts in the configuration of global and economic power. Security issues have become competitors for reformist ideas and these have produced shifts from multilateral to bilateral relationships in trade and legal jurisdiction (see Higgott 2004). The ability to deliver real security and economic benefits to the USA and to transform failed states into effective states, rather than capacity to deliver accountability and transparency in the management of markets, has become a new priority for the time being at least.

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Index

accountability 7, 24, 29, 31–3, 36, 40, 48–51, 55, 59–60, 64, 75, 102, 127, 138, 148, 152, 154, 194, 199
advocacy 64
Africa 20; sub-Saharan 3, 23, 125, 132
agenda-setting 68–9
agentification 95
agora 65, 71, 74
aid agencies 29
aid modalities 39
Albania 36
Algeria 80, 84
Amnesty International 157
anti-corruption 39, 148
anti-politics 106–20, 183–95
Arab Fund for Economic and Social Development 183
Arab Mediterranean 7, 77–91
Asia 20, 26, 111; East 111, 133; financial crisis 23; Southeast 18, 21, 24
Asian Development Bank 110
association agreement 86, 88
authoritarianism 6, 10, 15–17, 19, 21–2, 24, 65, 97, 181, 187

Baathism18, 197
bad governance 5, 42
Badan Revitalisasi Industri Kehutanan (BRIK) 117
bailout 23
Baird, M. 112
Bangladesh 36
Barcelona Declaration 79
Basle committee 70
Beirut 191
Belarus 80
Berkeley Mafia 17
best-practice 54, 143, 171–3, 176, 185
big push 1
Bosnia 155
bourgeoisie 21
Brazil 54, 56, 87
Bremer, L.P. 197
Bretton Woods 95, 132
Bush presidency 25
business community 25–6
business interests 18–27

capital markets 21, 25, 27
capitalism 20, 23, 101
Cato Institute 24
Central America 152–65
Central European University 65
Centre for International Forestry Research 113
Chatterjee, P. 97–8
checks and balances 59
Chicago Boys 17
China 19, 25, 54, 56
Chirac, J. 87
Chubais, A. 20
citizenship 16, 68, 146, 198
civil society 29, 36, 41, 49, 70, 73, 115, 123, 127–8, 135, 138–9, 142, 148, 152–65
civil society organisation (CSO) *see* civil society
clientelism 3, 17, 42, 126, 187
coalition 3, 24, 35, 55, 74, 99–100, 104, 172, 177, 181
Coalition for Environmentally Responsible Economies 70
Coalition of Service Industries 56
cold war 133, 169
collusion 108
Common Agricultural Policy (CAP) 87
Community Forestry Communications Forum (FKKM) 115
competition 3, 35, 56, 190

competitive advantage 26
competitiveness 31
Comprehensive Development Framework (CDF) 2, 125, 128
Confederation of Indian Industry (CII) 100
Confederation of Professional Agricultural Organisations (COPA) 87
conflict resolution 157–9
constitutionalism 65
Consultative Group on Indonesia (CGI) 111
convergence 54
Cooperation Agreements 79
corporate governance 25
corruption 3, 16, 21, 26, 31, 102, 105, 108, 113, 143, 176, 197
Country Assistance Strategies (CAS) 9, 135, 137–51
country performance rating *see* International Development Association

Das, S.K. 100
debt 27
decentralisation 148
de-licensing 100
democracy 18, 24–5, 55–6, 74, 79, 96–9, 124, 126, 153, 169
democratisation *see* democracy
Department for International Development, UK (DFID) 37–40, 107, 198
deregulation 24, 47, 100, 131
Development Cooperation 29–43
Development Grant Facility 69
dirigiste 111
distributional coalition 197
Doha Development Round 51–2, 58
Dom, J. 24
Drivers of Change 37–8, 40, 198

Eastern Europe 3
efficiency 4, 21, 31
e-governance 102–3
embedded liberalism 21
empowerment 104, 119, 153, 185, 199
epistemic communities 73
equality 7, 56, 97; *see also* sovereign equality
ethnicity 21
Euro-Mediterranean Development Bank 86
European Commission (EC) 87, 126, 191, 193
European Investment Bank (EIB) 79–80, 89
Euro-Mediterranean Partnership (EMP) *see* Arab Mediterranean
European Neighbourhood Policy 77–91
European Union (EU) 7, 65, 77, 79, 86–7, 91, 118, 128, 186, 192

failed state 16, 169–82
finance 16, 18, 21, 23, 25–6
financial deregulation *see* deregulation
financial markets *see* finance
fiscal austerity 18
foreign direct investment (FDI) *see* investment
Forest Stewardship Council 67
Foundation for Anthropological Forensic Research (FAFG) 156
fragile state 16, 39
Framework Protocol on Services 88
Free Aceh Movement (GAM) 116
free market 27
Fujimori, A. 22

Gandhi, R. 100
gate keeper 70
Gates, B. 103
General Agreement on Tariffs and Trade (GATT) 51, 55
General Agreement on Trade in Services (GATS) 53
Georgia 80
Germany 128
global governance 48–51
global public goods 47–51, 58, 63–76
Global Water Partnership 76
globalisation 7, 47, 53, 59, 63–76, 71, 171
good governance 1, 15–16, 20–3, 26, 47–51, 77, 102–3, 197–99
Governing for Results 103
green room 55
Guatemala 154, 157
Guatemalan Foundation for Anthropological Forensic Research (FAFG) 155
Guatemalan Widows Association (CONAVIGUA) 155
Gusmao, X. 177

Hariri, R. 191
harmonisation 54
'Harvard Boys' 17
Harvard Institute for International Development 17
Hasan, M. (Bob) 109–11, 115–7
hegemony 49, 97, 138
Honduras 159; NGO Association of 155
human rights 7, 23, 37, 40, 77, 80, 152–5, 157

identity 99, 187
ideology 96
illiberalism 17–20, 23–7,107, 137–51
import-export banks 26
inclusion 2, 4, 76, 152
India 54, 56, 87, 95–106
Indian Administrative Service (IAS) 100
Indonesia 4, 8, 18–19, 21, 22, 25, 36, 107–10, 112, 138, 172, 178; Ministry of Forestry 110–1, 114–5, 119; National Alliance of Indigenous Communities (AMAN) 115; New Order 107, 109, 111, 113, 115, 118; Reforestation Fund 110
Indonesia Forestry Community 116
Indonesia Wood Panel Association (Apkindo) 109, 111, 115–6
Indonesian Bank Restructuring Agency 112
industrialisation 1, 98, 109, 116
inequality 42, 84, 97, 139, 153
institutionalisation 75
institutions 16; building of 108, 180; reform of 15, 20, 23, 41, gap 1
insurgency 23
intellectual property 52
International Association of Insurance Supervisors (IAIS) 70
International Bank for Reconstruction and Development *see* World Bank
International Development Association (IDA) 31–2, 42
International Monetary Fund (IMF) 20, 22, 26–7, 57, 80–1, 107–20, 153
International NGO Forum on Indonesia and Development (INFID) 115–6
International Organization for Standardization (ISO) 70
International Timber Organisation (ITTO) 116
INTERREG programme 80, 91
interventionism 3, 34, 36
investment 25, 26, 35, 82
Iraq 90

Kaban, M.S. 119
Kalla, J. 25
Kaviraj, S. 97
Kenya 21
Keuleers, P. 173
Krasner, S. 60

laissez- faire 133
Lamy, Pascal 61
Latin America 21, 153
leadership 35, 74, 102, 109, 124, 175–8, 191–3, 195, 198
Lebanon 84, 183–96; Minister for Administrative Reform 184, 191; National Administrative Rehabilitation Programme 188
legislation 60, 102, 130
legitimacy 19, 33, 35, 50, 55, 103, 123–4, 127, 128–31, 149
liberal democracy 24–5, 27
liberalisation 7, 18, 47–62, 86–8, 90, 98–9, 101, 111, 115–6, 119, 131, 143
liberalism 24
low-intensity democracy 24

Macapagal-Aroyo, G. 145
macroeconomics 35
managerialism 183–7, 194, 195–6
Manila 146
market 1–2, 5, 16–21, 26–7, 29
market fundamentalism 6, 77, 90
Marxism-Leninism 177
MEDA (Mesure d'Ajustement) 80, 91
Medium-term Philippine Development Program (MTPDP) 138, 145, 148
Millennium Development Goals (MDGs) 39
minority rights *see* human rights
Moldova 80
monopoly 3
multilateralism 50, 58–9

Naidu, C. 101
nationalism 99
nation-state 71, 184, 187
Nehru, J. 97
neo-liberalism 15, 18–22, 25–7, 107–20, 133–4, 137–50, 191
neo-populism 18, 124, 131, 134
nepotism 108
Netherlands 5–6, 30, 39–41, 87, 128; Ministry of Foreign Affairs 39–41
New International Economic Order (NIEO) 52
new public management 71
NGO *see* civil society
North America 18
Norway 128

oligarchy 16, 18–9, 21, 109, 118, 164
Organisation for Economic Co-operation and Development (OECD) 38, 69, 170, 180–1, 198
outsourcing 4, 95–6
Overseas Development Institute ODI) 126
ownership 124–35, 160, 164, 192, 196

Palestine 90
parliament 36, 123–36
Parliamentary Network on the World Bank 133
participation 1–2, 4, 8, 18, 25, 29, 31, 60, 71, 74–5, 125–8, 131–2, 134, 138, 142, 146, 148, 150, 152–65, 160, 198
partnership 74, 140–51
Patel, S. 97
patrimonialism 18, 145
patronage 8, 23, 42, 73, 109, 126, 184, 187
Peace Accords 155, 157
Philippines 137–50, 162
Poland 87
polarisation 155
policy community 63–76
populism 18
post-Washington Consensus 34, 77–8, 86, 89–91, 105, 133
Potsdam University 65
Poverty Reduction Strategy (PRS) 9, 71, 123–37, 152, 159–60, 162, 164–5
power 2, 16, 19, 20, 29, 36, 42, 95–106
Prakosa, M. 112
predatory state 3–6, 16–17, 20, 22
presidentialism 126
private sector 18, 21
privatisation 18, 86, 131
procedural fairness 49, 56
property rights 3, 7, 16, 20, 24–7, 31–5, 113, 118
pro-poor development 37, 130
public choice 3
public goods *see* global public goods
Putin, V. 22

rational choice 3
rationality 7, 57
recapitalisation 112
regulation 7, 16, 22, 25–7, 35, 71, 111, 117, 187
rent-seeking 4, 5, 8, 18, 23–4, 34
representation 24, 49, 133, 142, 145, 149, 161
repression 18, 198
restrained state 36 *see also* restrictions 37
revolution 3, 97, 100
Rios Montt, E. 155
rule of law 113, 116
Russia 3, 19, 20
Rwanda 155

Saad, F. 192
Sall, K.A. 133
sectarianism 160
security 16, 199
Sell, S. 57
Shinawatt, T. 22
shock therapy 3, 19, 21
Singapore 25
social capital 29
social contract 24, 134
social democracy 16, 25
socialism 16, 19, 25–6
Soeharto 16, 19, 25
Soros Foundation 155
South Africa 87
sovereign equality 55
sovereignty 64, 70–1, 173
state capture 32–3
state enterprise 19
Stiglitz, J. 133
Swedish International Development Cooperation Agency (SIDA) 126, 165

technocracy 16–7, 19, 24–5, 32
techno-managerialism 137
terrorism 7, 69
Thai Rak Thai party 22
Thailand 18, 21
Tiglao, R. 145
Timor Leste 169–82; National Police Force (PNTL) 174; Office for Defense Force Development (ODFD) 175
trade union 18
trade-related intellectual property rights (TRIPS) 53
trade-related investment measures (TRIMS) 53
transnational advocacy coalition 73
transparency 20, 24, 29, 32–3, 36, 61, 102, 108, 117, 199
Truth Commission 154–7
Tunisia 84

Uganda 21
Ukraine 80
unequal exchange 52
United Kingdom 6, 42, 128
United Nations 55, 63–4, 157, 174; Security Council 55
United Nations Development Programme (UNDP) 59, 89, 157, 174, 183, 188, 190, 193
United Nations Transitional Administration for East Timor (UNTAET) 174
United States Agency for International Development (USAID) 124, 163, 165
United States of America 25–6, 87, 103, 199

WALHI 115–6
Warwick Commission 55
Washington Consensus 1–2, 29, 34, 77, 89–91, 108, 131, 133, 137
Wolfowitz, P. 25
World Bank 3–4, 6, 8, 15–16, 22, 25, 29–36, 65, 69, 81, 88, 95, 107–20, 124–5, 129, 133–4, 137–51, 153, 159, 175–6, 183, 185–6, 188, 190–4; World Bank Institute (WBI) 125, 128
World Development Movement 125, 131–2
world parliament 68
World Trade Organization (WTO) 7, 47–61, 63–4; Seattle Ministerial 55; Uruguay Round 52

Yeltsin, B. 20
Yudhoyono, B.S. 113, 118

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Governance and the Depoliticisation of Development

This book is about the way 'governance' has become the new orthodoxy of development, following earlier failed attempts at building working market economies through policy reform in developing countries.

Considering how its proponents define 'good governance', the contributors to this volume assess why programmes of governance building in developing countries have proven to be no less problematic than the previous agendas of market reform.

Governance and the Depoliticisation of Development challenges ideas that deeper political and social problems of development may be addressed by institutional or governance fixes. It examines the principles and prescriptions of 'good' governance as part of larger conflicts over power and its distribution.

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Routledge
Taylor & Francis Group
www.routledge.com

ISBN 978-1-138-97534-7

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